

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR  
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-34841

**NXP Semiconductors N.V.**

(Exact name of Registrant as specified in its charter)

The Netherlands  
(Jurisdiction of incorporation or organization)  
High Tech Campus 60, Eindhoven 5656 AG, the Netherlands  
(Address of principal executive offices)  
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)  
Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares—par value euro (EUR) 0.20 per share	The Nasdaq Global Select Market
Securities registered or to be registered pursuant to Section 12(g) of the Act.	

None  
(Title of class)  
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.  
Common shares—par value EUR 0.20 per share  
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report.

Class	Outstanding at December 31, 2018
Ordinary shares, par value EUR 0.20 per share	328,702,719 shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer”, “accelerated filer”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP <input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board <input type="checkbox"/>	Other <input type="checkbox"/>
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If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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## Introduction

This Annual Report on Form 20-F for the fiscal year ended December 31, 2018 (the “Annual Report”) contains forward-looking statements that contain risks and uncertainties. Our actual results may differ significantly from future results as a result of factors such as those set forth in Part I, Item 3.D. *Risk Factors* and Part I, Item 5.G. *Safe Harbor*.

The financial information included in this Annual Report is based on United States Generally Accepted Accounting Principles (U.S. GAAP), unless otherwise indicated.

In presenting and discussing our financial position, operating results and cash flows, management uses certain non-U.S. GAAP financial measures. These non-U.S. GAAP financial measures should not be viewed in isolation or as alternatives to the equivalent U.S. GAAP measures and should be used in conjunction with the most directly comparable U.S. GAAP measures. A discussion of non-U.S. GAAP measures included in this Annual Report and a reconciliation of such measures to the most directly comparable U.S. GAAP measures are set forth under “*Use of Certain Non-U.S. GAAP Financial Measures*” contained in this Annual Report under Part I, Item 5.A. *Operating Results*.

Unless otherwise required, all references herein to “we”, “our”, “us”, “NXP” and the “Company” are to NXP Semiconductors N.V. and its consolidated subsidiaries.

A glossary of abbreviations and technical terms used in this Annual Report is set forth on page 76.

This Annual Report includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management’s own good faith estimates and analyses. NXP believes these third-party reports to be reputable, but has not independently verified the underlying data sources, methodologies or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by NXP. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

On December 6, 2018, NXP B.V., together with NXP Funding LLC, issued \$1 billion of 4.875% Senior Unsecured Notes due March 1, 2024, \$500 million of 5.350% Senior Unsecured Notes due March 1, 2026 and \$500 million of 5.550% Senior Unsecured Notes due December 1, 2028. NXP used a portion of the net proceeds from the offering of these notes to repay the Bridge Loan, as described below. NXP intends to use the remaining proceeds for general corporate purposes, which may include the repurchase of additional shares of its stock.

On September 19, 2018, NXP B.V., together with NXP Funding LLC, entered into a \$1 billion senior unsecured bridge term credit facility agreement under which an aggregate principal amount of \$1 billion of term loans (the "Bridge Loan") was borrowed. The Bridge Loan was to mature on September 18, 2019 and the interest at a LIBOR rate plus an applicable margin of 1.5 percent. NXP used the net proceeds of the Bridge Loan for general corporate purposes as well as to finance a portion of its announced equity buy-back program. On December 6, 2018, the Bridge Loan was repaid in full, as described above.

On September 10, 2018, NXP announced the initiation of a Quarterly Dividend Program under which the Company will pay a regular quarterly cash dividend. Accordingly, interim dividends of \$0.25 per ordinary share were paid on October 5, 2018 and January 7, 2019.

On July 26, 2018, NXP received notice from Qualcomm Incorporated ("Qualcomm") that Qualcomm had terminated, effective immediately, the purchase agreement between NXP and an affiliate of Qualcomm following the inability to obtain the required approval for the transaction from the State Administration for Market Regulation (SAMR) of the People's Republic of China prior to the end date stipulated by the parties under the purchase agreement.

On July 26, 2018, NXP received \$2 billion in termination compensation per the terms of the purchase agreement. Effective July 26, 2018, the board of directors of NXP, as authorized by its annual general meeting of shareholders (the "AGM"), authorized the repurchase of \$5 billion of the Company's stock. In October 2018, the board of directors of NXP authorized the additional repurchase of shares up to a maximum of 20% (approximately 69 million shares) of the number of shares issued. As of year-end 2018, NXP repurchased 54.4 million shares, for a total of approximately \$5 billion, of which a number of 17,300,143 shares has been cancelled, and as of year-end, NXP has a number of 292.8 million shares outstanding.

On June 14, 2016, NXP announced an agreement to divest its Standard Products ("SP") business to a consortium of financial investors consisting of Beijing JianGuang Asset Management Co., Ltd ("JAC Capital") and Wise Road Capital LTD ("Wise Road Capital"). On February 6, 2017, we divested SP (subsequently named "Nexperia"), receiving \$2.6 billion in cash proceeds, net of cash divested.

#### A. Selected Financial Data

The following table presents a summary of our selected historical consolidated financial data. We prepare our financial statements in accordance with U.S. GAAP.

The results of operations for prior years are not necessarily indicative of the results to be expected for any future period.

On July 26, 2018, we received \$2 billion termination compensation from Qualcomm per the terms of the purchase contract.

On February 6, 2017, we divested our Standard Products ("SP") business, receiving \$2.6 billion in cash proceeds, net of cash divested. Prior to February 6, 2017, the results of the SP business were included in the reportable segment SP.

On December 7, 2015, we acquired Freescale Semiconductor, Ltd. ("Freescale") for a total consideration of \$11.6 billion (the "Merger"). The results of their operations and the estimated fair value of the assets acquired and liabilities assumed in the business combination are included in our financial statements from the date of acquisition forward.

The selected historical consolidated financial data should be read in conjunction with the discussion under Part I, Item 5.A. *Operating Results* and the Consolidated Financial Statements and the accompanying notes included elsewhere in this Annual Report.

(\$ in millions unless otherwise stated)	As of and for the years ended December 31,				
	2018	2017(1)	2016	2015	2014
<b>Consolidated Statements of Operations:</b>					
Revenue(2)	9,407	9,256	9,498	6,101	5,647
Gross profit(3)	4,851	4,619	4,069	2,787	2,640
Total operating expenses(4)	(4,142)	(4,092)	(4,228)	(2,035)	(1,601)
Other income (expense)(5)	2,001	1,575	9	1,263	10
Operating income (loss)	2,710	2,102	(150)	2,015	1,049
Financial income (expense)	(335)	(366)	(453)	(529)	(410)
Net income (loss) attributable to stockholders	2,208	2,215	200	1,526	539
<b>Earnings per share data:</b>					
Net income per common share attributable to stockholders in \$					
• Basic	6.78	6.54	0.59	6.36	2.27
• Diluted	6.72	6.41	0.58	6.10	2.17
Weighted average number of shares of common stock outstanding during the year (in thousands)					
• Basic	325,781	338,646	338,477	239,764	237,954
• Diluted	328,606	345,802	347,607	250,116	248,609
Cash dividends declared per share(6)	0.50	-	-	-	-
Cash dividends declared per share in EUR(6)	0.43	-	-	-	-
<b>Consolidated balance sheet data(7):</b>					
Cash and cash equivalents	2,789	3,547	1,894	1,614	1,185
Total assets	21,530	24,049	24,898	26,354	6,850
Net assets	10,690	13,716	11,156	11,803	801
Working capital(8)	2,947	4,077	3,386	2,820	1,340
Total debt(9), (10)	7,354	6,565	9,187	9,212	3,956
Total stockholders' equity	10,505	13,527	10,935	11,515	538
Common stock	67	71	71	68	51
<b>Other operating data:</b>					
Capital expenditures	(611)	(552)	(389)	(341)	(329)
Depreciation and amortization(11)	1,987	2,173	2,205	517	405
<b>Consolidated statements of cash flows data:</b>					
Net cash provided by (used for):					
Operating activities	4,369	2,447	2,303	1,330	1,468
Investing activities	(522)	2,072	(627)	(430)	(387)
Financing activities(12)	(4,597)	(2,886)	(1,392)	(449)	(554)
Net cash provided by (used for) continuing operations	(750)	1,633	284	451	527

(1) Reflects the results of the SP business up to the February 6, 2017 divestment.

(2) Under the modified retrospective method, revenue amounts before January 1, 2018 have not been adjusted for the impact of adopting ASC 606.

(3) Gross profit in 2016 includes a charge of \$448 million (2015: \$149 million), resulting from the purchase accounting effect on the inventory acquired from Freescale.

(4) Total operating expenses in 2016 include charges related to the acquisition of Freescale as follows - \$1,430 million for the amortization of acquisition-related intangibles, which includes an impairment charge of \$89 million relative to In-process research and development (IPR&D) that was acquired from Freescale, and \$53 million of merger and integration related costs. In 2015, total operating expenses include charges related to the acquisition of Freescale as follows - \$226 million in restructuring charges, \$105 million for the amortization of acquisition-related intangibles, \$49 million of share-based compensation charges related to employees terminated as a result of the Merger and \$42 million of merger related costs.

(5) Other income (expense) in 2018 includes the termination compensation received from Qualcomm (\$2 billion). Other income (expense) in 2017 includes the recognition of the gain on the sale of our SP business (\$1,597 million). Other income (expense) in 2015 includes the recognition of the gains from the sale of our Bipolar business on November 9, 2015 and the sale of our RF Power business on December 7, 2015. See the section on *Other Significant Transactions* in Part I, Item 4. B. Business Overview.

(6) Reflects the interim dividends declared on September 11, 2018 and November 29, 2018. The interim dividend declared on November 29, 2018 was paid on January 7, 2019.

- (7) Consolidated balance sheet data as of 2015 includes the impact of purchase accounting on the assets acquired and liabilities assumed in connection with our acquisition of Freescale.
- (8) Working capital is calculated as current assets less current liabilities (excluding short-term debt).
- (9) On December 6, 2018, NXP entered into 3 new senior unsecured notes, which are due in 2024 (\$1 billion), 2026 (\$500 million) and 2028 (\$500 million). NXP used the net proceeds for general corporate purposes as well as the repayment of the \$1 billion senior unsecured bridge term credit facility agreement (the "Bridge Loan"), which was entered into on September 19, 2018 for general corporate purposes as well as to finance parts of the announced equity buy-back program. In April 2018, NXP fully repaid the \$750 million senior unsecured notes on the due date. In addition, NXP fully repaid the \$500 million senior unsecured notes due in 2023. In February 2017, NXP repaid all term loans, including Term Loan B (defined below), with the funds from the proceeds of the divestment of the SP business. Additionally, \$500 million was repaid on the 2021 unsecured senior notes in March 2017. On December 7, 2015, in connection with the Merger, NXP entered into a \$2.7 billion secured term loan ("Term Loan B"). Proceeds from Term Loan B, among others, were used to (i) pay the cash consideration in connection with the Merger, (ii) effect the repayment of certain amounts under Freescale's outstanding credit facility and (iii) pay certain transaction costs.
- (10) As adjusted for our cash and cash equivalents our net debt was calculated as follows:

(\$ in millions)	2018	2017	2016	2015	2014
Long-term debt	6,247	5,814	8,766	8,656	3,936
Short-term debt	1,107	751	421	556	20
Total debt	7,354	6,565	9,187	9,212	3,956
Less: cash and cash equivalents	(2,789)	(3,547)	(1,894)	(1,614)	(1,185)
Net debt	4,565	3,018	7,293	7,598	2,771

Net debt is a non-GAAP financial measure. See "Use of Certain Non-GAAP Financial Measures" under Part I, 5.A. *Operating Results*.

- (11) Depreciation and amortization includes the effect of purchase accounting related to acquisitions in certain years. The effect of purchase accounting in depreciation and amortization was \$1,535 million in 2018, \$1,741 million in 2017, \$1,782 million (which includes an impairment charge of \$89 million relative to IPR&D that was acquired from Freescale) in 2016, \$252 million in 2015 and \$164 million in 2014.
- (12) Financing activities includes the repurchases of NXP common stock in 2018 (\$5,006 million) and the distribution of cash dividends (\$74 million).

As used in this Annual Report, "euro", or "€" means the single unified currency of the European Monetary Union. "U.S. dollar", "USD", "U.S. \$" or "\$" means the lawful currency of the United States of America. As used in this Annual Report, the term "noon buying rate" refers to the exchange rate for euro, expressed in U.S. dollars per euro, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in the city of New York for cable transfers in foreign currencies.

The table below shows the average noon buying rates for U.S. dollars per euro for the five years ended December 31, 2018. The averages set forth in the table below have been computed using the noon buying rate on the next to last business day of each fiscal month during the periods indicated.

	Year ended December 31,				
	2018	2017	2016	2015	2014
Average \$ per €	1.1794	1.1310	1.1065	1.1150	1.3297

The following table shows the high and low noon buying rates for U.S. dollars per euro for each of the six months in the six-month period ended February 22, 2019:

Month	High	Low
	(\$ per €)	
<b>2018</b>		
August	1.1720	1.1332
September	1.1773	1.1566
October	1.1594	1.1332
November	1.1459	1.1281
December	1.1456	1.1300
<b>2019</b>		
January	1.1524	1.1322

On February 22, 2019, the noon buying rate was \$1.1342 per €1.00.

Fluctuations in the value of the euro relative to the U.S. dollar have had a significant effect on the translation into U.S. dollar of our euro-denominated assets, liabilities, revenue and expenses, and may continue to do so in the future. For further information on the impact of fluctuations in exchange rates on our operations, see the "Fluctuations in Foreign Rates May Have An Adverse Effect On Our Financial Results" section in Part I, Item 3.D. *Risk Factors* and the "Foreign Currency Risks" section in Part I, Item 11. *Quantitative and Qualitative Disclosures About Market Risk*.

## B. Capitalization and Indebtedness

Not applicable.



### **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

### **D. Risk Factors**

*The following section provides an overview of the risks to which our business is exposed. You should carefully consider the risk factors described below and all other information contained in this Annual Report, including the Consolidated Financial Statements and related notes. The occurrence of the risks described below could have a material adverse impact on our business, financial condition or results of operations. Various statements in this Annual Report, including the following risk factors, contain forward-looking statements. Please also refer to Part I, Item 5.G. Safe Harbor, contained elsewhere in this Annual Report.*

#### **Risks related to our business**

##### ***The semiconductor industry is highly cyclical.***

Historically, the relationship between supply and demand in the semiconductor industry has caused a high degree of cyclicity in the semiconductor market. Semiconductor supply is partly driven by manufacturing capacity, which in the past has demonstrated alternating periods of substantial capacity additions and periods in which no or limited capacity was added. As a general matter, semiconductor companies are more likely to add capacity in periods when current or expected future demand is strong and margins are, or are expected to be, high. Investments in new capacity can result in overcapacity, which can lead to a reduction in prices and margins. In response, companies typically limit further capacity additions, eventually causing the market to be relatively undersupplied. In addition, demand for semiconductors varies, which can exacerbate the effect of supply fluctuations. As a result of this cyclicity, the semiconductor industry has in the past experienced significant downturns, such as in 1997/1998, 2001/2002 and in 2008/2009, often in connection with, or in anticipation of, maturing life cycles of semiconductor companies' products and declines in general economic conditions. These downturns have been characterized by diminishing demand for end-user products, high inventory levels, under-utilization of manufacturing capacity and accelerated erosion of average selling prices. The foregoing risks have historically had, and may continue to have, a material adverse effect on our business, financial condition and results of operations.

##### ***Significantly increased volatility and instability and unfavorable economic conditions may adversely affect our business.***

In 2008 and 2009, Europe, the United States and international markets experienced increased volatility and instability. In 2015, volatility and instability in financial markets continued following renewed investor concerns related to the economic situation in parts of the world, a decline in the growth rate of the Chinese economy, increased hostilities in the Middle East, and other world events. These, or other events, could further adversely affect the economies of the European Union, the United States and those of other countries and may exacerbate the cyclicity of our business. Among other factors, we face risks attendant to unfavorable changes related to interest rates, rates of economic growth, fiscal, monetary and trade policies of governments, tax rates and policy and changes in demand for end-user products and changes in interest rates.

There is a significant risk that the global economy could fall into recession again. If economic conditions remain uncertain or deteriorate, our business, financial condition and results of operations could be materially adversely affected.

It is difficult for us, our customers and suppliers to forecast demand trends. We may be unable to accurately predict the extent or duration of cycles or their effect on our financial condition or result of operations and can give no assurance as to the timing, extent or duration of the current or future business cycles. A recurrent decline in demand or the failure of demand to return to prior levels could place pressure on our results of operations. The timing and extent of any changes to currently prevailing market conditions is uncertain and supply and demand may be unbalanced at any time.

##### ***The semiconductor industry is highly competitive. If we fail to introduce new technologies and products in a timely manner, this could adversely affect our business.***

The semiconductor industry is highly competitive and characterized by constant and rapid technological change, short product lifecycles, significant price erosion and evolving standards. Accordingly, the success of our business depends to a significant extent on our ability to develop new technologies and products that are ultimately successful in the market. The costs related to the research and development necessary to develop new technologies and products are significant and any reduction of our research and development budget could harm our competitiveness. Meeting evolving industry requirements and introducing new products to the market in a timely manner and at prices that are acceptable to our customers are significant factors in determining our competitiveness and success. Commitments to develop new products must be made well in advance of any resulting sales, and technologies and standards may change during development, potentially rendering our products outdated or uncompetitive before their introduction. If we are unable to successfully develop new products, our revenue may decline substantially. Moreover, some of our competitors are well-established entities, are larger than us and have greater resources than we do. If these competitors increase the resources they devote to developing and marketing their products, we may not be able to compete effectively. Any consolidation among our competitors could enhance their product offerings and financial resources, further strengthening their competitive position. In addition, some of our competitors operate in narrow business areas relative to us, allowing them to concentrate their research and development efforts directly on products and services for those areas, which may give them a competitive advantage. As a result of these competitive pressures, we may face declining sales volumes or lower prevailing prices for our products, and we may not be able to reduce our total costs in line with this declining revenue. If any of these risks materialize, they could have a material adverse effect on our business, financial condition and results of operations.

***In many of the market segments in which we compete, we depend on winning selection processes, and failure to be selected could adversely affect our business in those market segments.***

One of our business strategies is to participate in and win competitive bid selection processes to develop products for use in our customers' equipment and products. These selection processes can be lengthy and require us to incur significant design and development expenditures, with no guarantee of winning a contract or generating revenue. Failure to win new design projects and delays in developing new products with anticipated technological advances or in commencing volume shipments of these products may have an adverse effect on our business. This risk is particularly pronounced in markets where there are only a few potential customers and in the automotive market, where, due to the longer design cycles involved, failure to win a design-in could prevent access to a customer for several years. Our failure to win a sufficient number of these bids could result in reduced revenue and hurt our competitive position in future selection processes because we may not be perceived as being a technology or industry leader, each of which could have a material adverse effect on our business, financial condition and results of operations.

***The demand for our products depends to a significant degree on the demand for our customers' end products.***

The vast majority of our revenue is derived from sales to manufacturers in the automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing markets. Demand in these markets fluctuates significantly, driven by consumer spending, consumer preferences, the development of new technologies and prevailing economic conditions. In addition, the specific products in which our semiconductors are incorporated may not be successful, or may experience price erosion or other competitive factors that affect the price manufacturers are willing to pay us. Such customers have in the past, and may in the future, vary order levels significantly from period to period, request postponements to scheduled delivery dates, modify their orders or reduce lead times. This is particularly common during periods of low demand. This can make managing our business difficult, as it limits the predictability of future revenue. It can also affect the accuracy of our financial forecasts. Furthermore, developing industry trends, including customers' use of outsourcing and new and revised supply chain models, may affect our revenue, costs and working capital requirements. Additionally, a significant portion of our products is made to order.

If customers do not purchase products made specifically for them, we may not be able to resell such products to other customers or may not be able to require the customers who have ordered these products to pay a cancellation fee. The foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

***The semiconductor industry is characterized by continued price erosion, especially after a product has been on the market.***

One of the results of the rapid innovation in the semiconductor industry is that pricing pressure, especially on products containing older technology, can be intense. Product life cycles are relatively short, and as a result, products tend to be replaced by more technologically advanced substitutes on a regular basis.

In turn, demand for older technology falls, causing the price at which such products can be sold to drop, in some cases precipitously. In order to continue profitably supplying these products, we must reduce our production costs in line with the lower revenue we can expect to generate per unit. Usually, this must be accomplished through improvements in process technology and production efficiencies. If we cannot advance our process technologies or improve our efficiencies to a degree sufficient to maintain required margins, we will no longer be able to make a profit from the sale of these products. Moreover, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may be required to bear a loss on such products. We cannot guarantee that competition in our core product markets will not lead to price erosion, lower revenue or lower margins in the future. Should reductions in our manufacturing costs fail to keep pace with reductions in market prices for the products we sell, this could have a material adverse effect on our business, financial condition and results of operations.

***Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.***

Goodwill and other identifiable intangible assets are recorded at fair value on the date of an acquisition. As a result of our acquisition of Freescale in 2015, we recognized goodwill of \$7.4 billion and intangible assets of \$8.5 billion. We review our goodwill and other intangible assets balance for impairment upon any indication of a potential impairment, and in the case of goodwill, at a minimum of once a year. Impairment may result from, among other things, a sustained decrease in share price, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services we sell, challenges to the validity of certain registered intellectual property, reduced sales of certain products incorporating intellectual property and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial position, results of operations and stockholders' equity.

***As our business is global, we need to comply with laws and regulations in countries across the world and are exposed to international business risks that could adversely affect our business.***

We operate globally, with manufacturing, assembly and testing facilities in several continents, and we market our products globally.

As a result, we are subject to environmental, labor and health and safety laws and regulations in each jurisdiction in which we operate. We are also required to obtain environmental permits and other authorizations or licenses from governmental authorities for certain of our operations. In the jurisdictions where we operate, we need to comply with differing standards and varying practices of regulatory, tax, judicial and administrative bodies.

In addition, the business environment is also subject to many economic and political uncertainties, including the following international business risks:

- negative economic developments in economies around the world and the instability of governments and international trade arrangements, such as the expected withdrawal of the United Kingdom from the European Union, the sovereign debt crisis in certain European countries and the increase of barriers to international trade, such as the recent imposition of tariffs on imports by the United States;
- social and political instability in a number of countries around the world, including continued hostilities and civil unrest in the Middle East. The instability may have a negative effect on our business, financial condition and operations via our customers and volatility in energy prices and the financial markets;
- potential terrorist attacks;
- epidemics and pandemics, which may adversely affect our workforce, as well as our local suppliers and customers, in particular in Asia;
- adverse changes in governmental policies, especially those affecting trade and investment;
- our customers or other groups of stakeholders might impose requirements that are more stringent than the laws in the countries in which we are active;
- volatility in foreign currency exchange rates, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in China; and
- threats that our operations or property could be subject to nationalization and expropriation.

No assurance can be given that we have been or will be at all times in complete compliance with the laws and regulations to which we are subject or that we have obtained or will obtain the permits and other authorizations or licenses that we need. If we violate or fail to comply with laws, regulations, permits and other authorizations or licenses, we could be fined or otherwise sanctioned by regulators. Furthermore, if one or more of our customers are sanctioned by regulators for non-compliance with laws and regulations, we could experience a decrease in demand for our products. In this case, or if any of the international business risks were to materialize or become worse, they could have a material adverse effect on our business, financial condition and results of operations.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, further increasing legal and financial compliance costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure.

***Interruptions in our information technology systems could adversely affect our business.***

We rely on the efficient and uninterrupted operation of complex information technology applications, systems and networks to operate our business. The reliability and security of our information technology infrastructure and software, and our ability to expand and continually update technologies in response to our changing needs is critical to our business. Any significant interruption in our business applications, systems or networks, including but not limited to new system implementations, computer viruses, cyberattacks, security breaches, facility issues or energy blackouts could have a material adverse impact on our business, financial condition and results of operations.

***Our computer systems and networks are subject to attempted security breaches and other cybersecurity incidents, which, if successful, could impact our business.***

We have, from time to time, experienced attempted cyber-attacks of varying degrees to obtain access to our computer systems and networks. To date, none have resulted in any material adverse impact to our business or operations. Such incidents, whether or not successful, could result in the misappropriation of our proprietary information and technology, the compromise of personal and confidential information of our employees, customers or suppliers or interrupt our business. In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, state-sponsored intrusions, industrial espionage, employee malfeasance, and human or technological error. Computer hackers and others routinely attempt to breach the security of technology products, services, and systems, and those of customers, suppliers, and some of those attempts may be successful. Such breaches could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of our, our customer, or other third party data or systems, theft of sensitive or confidential data including personal information and intellectual property, system disruptions, and denial of service. In the event of such breaches, we, our customers or other third parties could be exposed to potential liability, litigation, and regulatory action, as well as the loss of existing or potential customers, damage to our reputation, and

other financial loss. In addition, the cost and operational consequences of responding to breaches and implementing remediation measures could be significant. As these threats continue to develop and grow, we have been adapting the security measures and we continue to increase the amount we allocate to implement, maintain and/or update security systems to protect data and infrastructure. As a global enterprise, we could also be impacted by existing and proposed laws and regulations, as well as government policies and practices related to cybersecurity, privacy and data protection. Additionally, cyber-attacks or other catastrophic events resulting in disruptions to or failures in power, information technology, communication systems or other critical infrastructure could result in interruptions or delays to us, our customers, or other third party operations or services, financial loss, potential liability, and damage our reputation and affect our relationships with our customers and suppliers.

In addition, we may be subject to theft, loss, or misuse of personal data about our employees, customers, or other third parties, which could increase our expenses, damage our reputation, or result in legal or regulatory proceedings. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims. Global privacy legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy-related and data protection measures could be significant. In addition, even our inadvertent failure to comply with federal, state, or international privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others.

***In difficult market conditions, our high fixed costs combined with low revenue may negatively affect our results of operations.***

The semiconductor industry is characterized by high fixed costs and, notwithstanding our utilization of third-party manufacturing capacity, most of our production requirements are met by our own manufacturing facilities. In less favorable industry environments, like we faced in the second half in 2011, we are generally faced with a decline in the utilization rates of our manufacturing facilities due to decreases in demand for our products. During such periods, our fabrication plants could operate at lower loading level, while the fixed costs associated with the full capacity continue to be incurred, resulting in lower gross profit.

***The semiconductor industry is capital intensive and if we are unable to invest the necessary capital to operate and grow our business, we may not remain competitive.***

To remain competitive, we must constantly improve our facilities and process technologies and carry out extensive research and development, each of which requires investment of significant amounts of capital. This risk is magnified by the indebtedness we currently have, since we are required to use a portion of our cash flow to service that debt. If we are unable to generate sufficient cash flow or raise sufficient capital to meet both our debt service and capital investment requirements, or if we are unable to raise required capital on favorable terms when needed, this could have a material adverse effect on our business, financial condition and results of operations.

***We rely to a significant extent on proprietary intellectual property. We may not be able to protect this intellectual property against improper use by our competitors or others.***

Our success and future revenue growth depends, in part, on our ability to protect our proprietary technology, our products, our proprietary designs and fabrication processes, and other intellectual property against misappropriation by others. We primarily rely on patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our intellectual property. We may have difficulty obtaining patents and other intellectual property rights to protect our proprietary products, technology and intellectual property, and the patents and other intellectual property rights we receive may be insufficient to provide us with meaningful protection or commercial advantage. We may not be able to obtain patent protection or secure other intellectual property rights in all the countries in which we operate, and under the laws of such countries, patents and other intellectual property rights may be or become unavailable or limited in scope. Even if new patents are issued, the claims allowed may not be sufficiently broad to effectively protect our proprietary technology, processes and other intellectual property. In addition, any of our existing patents, and any future patents issued to us may be challenged, invalidated or circumvented. The protection offered by intellectual property rights may be inadequate or weakened for reasons or circumstances that are out of our control. Further, our proprietary technology, designs and processes and other intellectual property may be vulnerable to disclosure or misappropriation by employees, contractors and other persons. It is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our proprietary technologies, our products, designs, processes and other intellectual property despite our efforts to protect our intellectual property. While we hold a significant number of patents, there can be no assurances that additional patents will be issued or that any rights granted under our patents will provide meaningful protection against misappropriation of our intellectual property. Our competitors may also be able to develop similar technology independently or design around our patents. We may not have foreign patents or pending applications corresponding to all of our primary patents and applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. In particular, intellectual property rights are difficult to enforce in some countries, since the application and enforcement of the laws governing such rights may not have reached the same level as compared to other jurisdictions where we operate. Consequently, operating in some countries may subject us to an increased risk that unauthorized parties may attempt to copy or otherwise use our intellectual property or the intellectual property of our suppliers or other parties with whom we engage. There is no assurance that we will be able to protect our intellectual property rights or have adequate legal recourse in the event that we seek legal or judicial enforcement of our intellectual property rights under the laws of such countries. Any inability on our part to adequately protect our intellectual property may have a material adverse effect on our business, financial condition and results of operations.

***We may become party to intellectual property claims or litigation that could cause us to incur substantial costs, pay substantial damages or prohibit us from selling our products.***

We have from time to time received, and may in the future receive, communications alleging possible infringement of patents and other intellectual property rights of others. Further, we may become involved in costly litigation brought against us regarding patents, copyrights, trademarks, trade secrets or other intellectual property rights. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that we will be able to obtain any or all of the necessary licenses on satisfactory terms, if at all. In the event that we cannot obtain or take the view that we don't need a license, these parties may file lawsuits against us seeking damages (and potentially treble damages in the United States) or an injunction against the sale of our products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted. Such lawsuits, if successful, could result in an increase in the costs of selling certain of our products, our having to partially or completely redesign our products or stop the sale of some of our products and could cause damage to our reputation. Any litigation could require significant financial and management resources regardless of the merits or outcome, and we cannot assure you that we would prevail in any litigation or that our intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged. The award of damages, including material royalty payments, or the entry of an injunction against the manufacture and sale of some or all of our products, could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

***From time to time, we may rely on strategic partnerships, joint ventures and alliances for manufacturing and research and development. However, we often do not control these partnerships and joint ventures, and actions taken by any of our partners or the termination of these partnerships or joint ventures could adversely affect our business.***

As part of our strategy, we have historically entered into a number of long-term strategic partnerships with other leading industry participants, and may do so again in the future. For example, we have entered into a joint venture with Taiwan Semiconductor Manufacturing Company Limited ("TSMC") called Systems on Silicon Manufacturing Company Pte. Ltd. ("SSMC"). See Part I, Item 4.A. *History and Development of the Company* - Other Significant Transactions.

If any of our strategic partners in industry groups or in any of the other alliances we engage with were to encounter financial difficulties or change their business strategies, they may no longer be able or willing to participate in these groups or alliances, which could have a material adverse effect on our business, financial condition and results of operations. We do not control some of these strategic partnerships, joint ventures and alliances in which we participate. We may also have certain obligations, including some limited funding obligations or take or pay obligations, with regard to some of our strategic partnerships, joint ventures and alliances. For example, we have made certain commitments to SSMC, in which we have a 61.2% ownership share, whereby we are obligated to make cash payments to SSMC should we fail to utilize, and TSMC does not utilize, an agreed upon percentage of the total available capacity at SSMC's fabrication facilities if overall SSMC utilization levels drop below a fixed proportion of the total available capacity.

***We may from time to time desire to exit certain product lines or businesses, or to restructure our operations, but may not be successful in doing so.***

From time to time, we may decide to divest certain product lines and businesses or restructure our operations, including through the contribution of assets to joint ventures. We have, in recent years, exited several of our product lines and businesses, and we have closed several of our manufacturing and research facilities. We may continue to do so in the future. However, our ability to successfully exit product lines and businesses, or to close or consolidate operations, depends on a number of factors, many of which are outside of our control. For example, if we are seeking a buyer for a particular business line, none may be available, or we may not be successful in negotiating satisfactory terms with prospective buyers. In addition, we may face internal obstacles to our efforts. In particular, several of our operations and facilities are subject to collective bargaining agreements and social plans or require us to consult with our employee representatives, such as work councils which may prevent or complicate our efforts to sell or restructure our businesses. In some cases, particularly with respect to our European operations, there may be laws or other legal impediments affecting our ability to carry out such sales or restructuring.

If we are unable to exit a product line or business in a timely manner, or to restructure our operations in a manner we deem to be advantageous, this could have a material adverse effect on our business, financial condition and results of operations. Even if a divestment is successful, we may face indemnity and other liability claims by the acquirer or other parties.

***We may from time to time restructure parts of our processes. Any such restructuring may impact customer satisfaction and the costs of implementation may be difficult to predict.***

Between 2008 and 2011, we executed a redesign program and, in 2013 we executed a restructuring initiative designed to improve operational efficiency and to competitively position the company for sustainable growth. In 2015, we began a restructuring initiative to prepare for and implement the integration of Freescale into our existing businesses. We plan to continue to restructure and make changes to parts of the processes in our organization. Furthermore, if the global economy remains volatile or if the global economy reenters a recession, our revenues could decline, and we may be forced to take additional cost savings steps that could result in additional charges and materially affect our business. The costs of implementing any restructurings, changes or cost savings steps may differ from our estimates and any negative impacts on our revenues or otherwise of such restructurings, changes or steps, such as situations in which customer satisfaction is negatively impacted, may be larger than originally estimated.

***If we fail to extend or renegotiate our collective bargaining agreements and social plans with our labor unions as they expire from time to time, if regular or statutory consultation processes with employee representatives such as works councils fail or are delayed, or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially harmed.***

We are a party to collective bargaining agreements and social plans with our labor unions. We are also required to consult with our employee representatives, such as works councils, on items such as restructurings, acquisitions and divestitures. Although we believe that our relations with our employees, employee representatives and unions are satisfactory, no assurance can be given that we will be able to successfully extend or renegotiate these agreements as they expire from time to time or to conclude the consultation processes in a timely and favorable way. The impact of future negotiations and consultation processes with employee representatives could have a material impact on our financial results. Also, if we fail to extend or renegotiate our labor agreements and social plans, if significant disputes with our unions arise, or if our unionized workers engage in a strike or other work stoppage, we could incur higher ongoing labor costs or experience a significant disruption of operations, which could have a material adverse effect on our business.

***Our working capital needs are difficult to predict.***

Our working capital needs are difficult to predict and may fluctuate. The comparatively long period between the time at which we commence development of a product and the time at which it may be delivered to a customer leads to high inventory and work-in-progress levels. The volatility of our customers' own businesses and the time required to manufacture products also makes it difficult to manage inventory levels and requires us to stockpile products across many different specifications.

***Our business may be adversely affected by costs relating to product defects, and we could be faced with product liability and warranty claims.***

We make highly complex electronic components and, accordingly, there is a risk that defects may occur in any of our products. Such defects can give rise to significant costs, including expenses relating to recalling products, replacing defective items, writing down defective inventory and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. If we release defective products into the market, our reputation could suffer and we may lose sales opportunities and incur liability for damages. Moreover, since the cost of replacing defective semiconductor devices is often much higher than the value of the devices themselves, we may at times face damage claims from customers in excess of the amounts they pay us for our products, including consequential damages. We also face exposure to potential liability resulting from the fact that our customers typically integrate the semiconductors we sell into numerous consumer products, which are then sold into the marketplace. We are exposed to product liability claims if our semiconductors or the consumer products based on them malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our products caused the damage in question, and such claims could result in significant costs and expenses relating to attorneys' fees and damages. In addition, our customers may recall their products if they prove to be defective or make compensatory payments in accordance with industry or business practice or in order to maintain good customer relationships. If such a recall or payment is caused by a defect in one of our products, our customers may seek to recover all or a portion of their losses from us. If any of these risks materialize, our reputation would be harmed and there could be a material adverse effect on our business, financial condition and results of operations.

***Our business has suffered, and could in the future suffer, from manufacturing problems.***

We manufacture, in our own factories as well as with third parties, our products using processes that are highly complex, require advanced and costly equipment and must continuously be modified to improve yields and performance. Difficulties in the production process can reduce yields or interrupt production, and, as a result of such problems, we may on occasion not be able to deliver products or do so in a timely or cost-effective or competitive manner. As the complexity of both our products and our fabrication processes has become more advanced, manufacturing tolerances have been reduced and requirements for precision have become more demanding. As is common in the semiconductor industry, we have in the past experienced manufacturing difficulties that have given rise to delays in delivery and quality control problems. There can be no assurance that any such occurrence in the future would not materially harm our results of operations. Further, we may suffer disruptions in our manufacturing operations, either due to production difficulties such as those described above or as a result of external factors beyond our control. We may, in the future, experience manufacturing difficulties or permanent or temporary loss of manufacturing capacity due to the preceding or other risks. Any such event could have a material adverse effect on our business, financial condition and results of operations.

***We rely on the timely supply of equipment and materials and could suffer if suppliers fail to meet their delivery obligations or raise prices. Certain equipment and materials needed in our manufacturing operations are only available from a limited number of suppliers.***

Our manufacturing operations depend on deliveries of equipment and materials in a timely manner and, in some cases, on a just-in-time basis. From time to time, suppliers may extend lead times, limit the amounts supplied to us or increase prices due to capacity constraints or other factors. Supply disruptions may also occur due to shortages in critical materials, such as silicon wafers or specialized chemicals. Because the equipment that we purchase is complex, it is frequently difficult or impossible for us to substitute one piece of equipment for another or replace one type of material with another. A failure by our suppliers to deliver our requirements could result in disruptions to our manufacturing operations. Our business, financial condition and results of operations could be harmed if we are unable to obtain adequate supplies of quality equipment or materials in a timely manner or if there are significant increases in the costs of equipment or materials.

***Failure of our third party suppliers to perform could adversely affect our ability to exploit growth opportunities.***

We currently use outside suppliers for a portion of our manufacturing capacity. Outsourcing our production presents a number of risks. If our outside suppliers are unable to satisfy our demand, or experience manufacturing difficulties, delays or reduced yields, our results of operations and ability to satisfy customer demand could suffer. In addition, purchasing rather than manufacturing these products may adversely affect our gross profit margin if the purchase costs of these products are higher than our own manufacturing costs would have been. Prices for foundry products also vary depending on capacity utilization rates at our suppliers, quantities demanded, product technology and geometry. Furthermore, these outsourcing costs can vary materially from quarter to quarter and, in cases of industry shortages, they can increase significantly, negatively affecting our gross profit.

***Loss of our key management and other personnel, or an inability to attract such management and other personnel, could affect our business.***

We depend on our key management to run our business and on our senior engineers to develop new products and technologies. Our success will depend on the continued service of these individuals. Although we have several share based compensation plans in place, we cannot be sure that these plans will help us in our ability to retain key personnel, especially considering the fact that the stock options under some of our plans become exercisable upon a change of control (in particular, when a third party, or third parties acting in concert, obtains, whether directly or indirectly, control of us). The loss of any of our key personnel, whether due to departures, death, ill health or otherwise, could have a material adverse effect on our business. The market for qualified employees, including skilled engineers and other individuals with the required technical expertise to succeed in our business, is highly competitive and the loss of qualified employees or an inability to attract, retain and motivate the additional highly skilled employees required for the operation and expansion of our business could hinder our ability to successfully conduct research activities or develop marketable products. The foregoing risks could have a material adverse effect on our business.

***Disruptions in our relationships with any one of our key customers could adversely affect our business.***

A substantial portion of our revenue is derived from our top customers, including our distributors. We cannot guarantee that we will be able to generate similar levels of revenue from our largest customers in the future. If one or more of these customers substantially reduce their purchases from us, this could have a material adverse effect on our business, financial condition and results of operations.

***We receive subsidies and grants in certain countries, and a reduction in the amount of governmental funding available to us or demands for repayment could increase our costs and affect our results of operations.***

As is the case with other large semiconductor companies, we receive subsidies and grants from governments in some countries. These programs are subject to periodic review by the relevant governments, and if any of these programs are curtailed or discontinued, this could have a material adverse effect on our business, financial condition and results of operations. As the availability of government funding is outside our control, we cannot guarantee that we will continue to benefit from government support or that sufficient alternative funding will be available if we lose such support. Moreover, if we terminate any activities or operations, including strategic alliances or joint ventures, we may face adverse actions from the local governmental agencies providing such subsidies to us. In particular, such government agencies could seek to recover such subsidies from us and they could cancel or reduce other subsidies we receive from them. This could have a material adverse effect on our business, financial condition and results of operations.

***Legal proceedings covering a range of matters are pending in various jurisdictions. Due to the uncertainty inherent in litigation, it is difficult to predict the final outcome. An adverse outcome might affect our results of operations.***

We and certain of our businesses are involved as plaintiffs or defendants in legal proceedings in various matters. For example, we are involved in legal proceedings claiming personal injuries to the children of former employees as a result of employees' alleged exposure to chemicals used in semiconductor manufacturing clean room environments operated by us or our former parent companies Philips and Motorola. Furthermore, because we continue to utilize these clean rooms, we may become subject to future claims alleging personal injury that may lead to additional liability. A judgment against us or material defense cost could harm our business, financial condition and results of operations.

***We are exposed to a variety of financial risks, including currency risk, interest rate risk, liquidity risk, commodity price risk, credit risk and other non-insured risks, which may have an adverse effect on our financial results.***

We are a global company and, as a direct consequence, movements in the financial markets may impact our financial results. We are exposed to a variety of financial risks, including currency fluctuations, interest rate risk, liquidity risk, commodity price risk and credit risk and other non-insured risks. We have euro-denominated assets and liabilities and, since our reporting currency is the U.S. dollar, the impact of currency translation adjustments to such assets and liabilities may have a negative effect on our stockholders' equity. We continue to hold or convert a part of our cash in euros as a hedge for euro expenses and euro interest payments. We are exposed to fluctuations in exchange rates when we convert U.S. dollars to euro. We enter into diverse financial transactions with several counterparties to mitigate our currency risk. We only use derivative instruments for hedging purposes.

We are also a purchaser of certain base metals, precious metals, chemicals and energy used in the manufacturing process of our products, the prices of which can be volatile. Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform upon their agreed payment obligations. Credit risk is present within our trade receivables. Such exposure is reduced through ongoing credit evaluations of the financial conditions of our customers and by adjusting payment terms and credit limits when appropriate. We invest available cash and cash equivalents with various financial institutions and are in that respect exposed to credit risk with these counterparties. We actively manage concentration risk on a daily basis adhering to a treasury management policy. We seek to limit the financial institutions with which we enter into financial transactions, such as depositing cash, to those with a strong credit rating wherever possible. If we are unable to successfully manage these risks, they could have a material adverse effect on our business, financial condition and results of operations.

***The impact of a negative performance of financial markets and demographic trends on our defined benefit pension liabilities and costs cannot be predicted.***

We sponsor defined benefit pension plans in a number of countries and a significant number of our employees are covered by our defined benefit pension plans. As of December 31, 2018, we had recognized a net accrued benefit liability of \$416 million, representing the unfunded benefit obligations of our defined pension plans. The funding status and the liabilities and costs of maintaining these defined benefit pension plans may be impacted by financial market developments. For example, the accounting for such plans requires determining discount rates, expected rates of compensation and expected returns on plan assets, and any changes in these variables can have a significant impact on the projected benefit obligations and net periodic pension costs. Negative performance of the financial markets could also have a material impact on funding requirements and net periodic pension costs. Our defined benefit pension plans may also be subject to demographic trends. Accordingly, our costs to meet pension liabilities going forward may be significantly higher than they are today, which could have a material adverse impact on our financial condition.

***Future changes to Dutch, U.S. and other foreign tax laws could adversely affect us.***

The European Commission, U.S. Congress and Treasury Department, the Organization for Economic Co-operation and Development, and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations, particularly payments made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the European Union, U.S. and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

Recent examples include the Organization for Economic Co-operation and Development's recommendations on base erosion and profit shifting, the European Commission's Anti-Tax Avoidance Directive, the Corporate Tax Package released in October 2016 which includes a Common Consolidated Corporate Tax Base, the Tax Cuts and Jobs Act enacted by the United States in 2017 and the changes in the Dutch corporate income tax law enacted in 2018. These initiatives include recommendations and proposals that, if enacted in countries in which we and our affiliates do business, could adversely affect us and our affiliates.

***We are exposed to a number of different tax uncertainties, which could have an impact on tax results.***

We are required to pay taxes in multiple jurisdictions. We determine the taxes we are required to pay based on our interpretation of the applicable tax laws and regulations in the jurisdictions in which we operate. We may be subject to unfavorable changes in the respective tax laws and regulations to which we are subject. Tax controls, audits, change in controls and changes in tax laws or regulations or the interpretation given to them may expose us to negative tax consequences, including interest payments and potentially penalties. We have issued transfer-pricing directives in the areas of goods, services and financing, which are in accordance with the Guidelines of the Organization of Economic Co-operation and Development (OECD). As transfer pricing has a cross border effect, the focus of local tax authorities on implemented transfer pricing procedures in a country may have an impact on results in another country.

Transfer pricing uncertainties can also result from disputes with local tax authorities about transfer pricing of internal deliveries of goods and services or related to financing, acquisitions and divestments, the use of tax credits and permanent establishments, and tax losses carried forward. These uncertainties may have a significant impact on local tax results. We also have various tax assets resulting from acquisitions. Tax assets can also result from the generation of tax losses in certain legal entities. Tax authorities may challenge these tax assets. In addition, the value of the tax assets resulting from tax losses carried forward depends on having sufficient taxable profits in the future.



Additionally, in December of 2017, the United States enacted a budget reconciliation act amending the Internal Revenue Code of 1986 (the “Tax Cuts and Jobs Act”) and, in 2018, the U.S. Treasury Department issued regulations to clarify certain provisions of the Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act contains provisions affecting the tax treatment of both U.S. companies (such as certain of our subsidiaries) and non-U.S. companies that could materially affect us. The Tax Cuts and Jobs Act includes provisions that reduce the U.S. corporate tax rate, impose a base erosion minimum tax on income of a U.S. corporation determined without regard to certain otherwise deductible payments made to certain foreign affiliates, impose a global intangible low-income tax on foreign earnings made by U.S. corporations’ foreign subsidiaries, and impose a one-time transition tax on certain historic earnings and profits of U.S.-owned foreign subsidiaries. The Tax Cuts and Jobs Act also includes provisions that provide a deduction for certain foreign-derived intangible income. The U.S. Treasury Department has issued temporary and proposed regulations providing guidance on the application of many of the provisions of the Tax Cuts and Jobs Act. However, there may continue to be a substantial delay before all such regulations are promulgated and/or finalized, increasing the uncertainty as to the ultimate effect of the statutory amendments on us. It is also possible that there will be technical corrections legislation proposed with respect to the Tax Cuts and Jobs Act, the effect of which cannot be predicted. For further information regarding the impact of the Tax Cuts and Jobs Act on us, please see Part I, Item 5.A. *Operating Results*.

***We may not be able to maintain a competitive worldwide effective corporate tax rate.***

We cannot give any assurance as to what our effective tax rate will be in the future, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of the Netherlands, the U.S., and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

***There may from time to time exist deficiencies in our internal control systems that could adversely affect the accuracy and reliability of our periodic reporting.***

We are required to establish and periodically assess the design and operating effectiveness of our internal control over financial reporting. Despite the compliance procedures that we have adopted to ensure internal control over financial controls, there may from time to time exist deficiencies in our internal control systems that could adversely affect the accuracy and reliability of our periodic reporting. Our periodic reporting is the basis of investors’ and other market professionals’ understanding of our businesses. Imperfections in our periodic reporting could create uncertainty regarding the reliability of our results of operations and financial results, which in turn could have a material adverse impact on our reputation or share price.

***Environmental laws and regulations expose us to liability and compliance with these laws and regulations, and any such liability may adversely affect our business.***

We are subject to many environmental, health and safety laws and regulations in each jurisdiction in which we operate, which govern, among other things, emissions of pollutants into the air, wastewater discharges, the use and handling of hazardous substances, waste disposal, the investigation and remediation of soil and ground water contamination and the health and safety of our employees. We are also required to obtain environmental permits from governmental authorities for certain of our operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, we face inherent risks of environmental liability at our current and historical manufacturing facilities. Certain environmental laws impose strict, and in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. Certain of these laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. While we do not expect that any contamination currently known to us will have a material adverse effect on our business, we cannot assure you that this is the case or that we will not discover new facts or conditions or that environmental laws or the enforcement of such laws will not change such that our liabilities would be increased significantly. In addition, we could also be held liable for consequences arising out of human exposure to hazardous substances or other environmental damage. In summary, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, or our liabilities arising from past or future releases of, or exposures to, regulated materials, will not have a material adverse effect on our business, financial conditions and results of operations.

Scientific examination of, political attention to and rules and regulations on issues surrounding the existence and extent of climate change may result in an increase in the cost of production due to increase in the prices of energy and introduction of energy or carbon tax. A variety of regulatory developments have been introduced that focus on restricting or managing the emission of carbon dioxide, methane and other greenhouse gases. Enterprises may need to purchase at higher costs new equipment or raw materials with lower carbon footprints. Environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify product designs, or incur expenses. New materials that we are evaluating for use in our operations may become subject to regulation. These developments and further legislation that is likely to be enacted could affect our operations negatively. Changes in environmental regulations could increase our production and operational costs, which could adversely affect our results of operations and financial condition.

***Certain natural disasters, such as flooding, large earthquakes, volcanic eruptions or nuclear or other disasters, may negatively impact our business. There is increasing concern that climate change is occurring and may cause a rising number of natural disasters.***

Environmental and other disasters, such as flooding, large earthquakes, volcanic eruptions or nuclear or other disasters, or a combination thereof may negatively impact our business. If flooding, a large earthquake, volcanic eruption or other natural disaster were to directly damage, destroy or disrupt our manufacturing facilities, it could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would negatively impact our business. Even if our manufacturing facilities are not directly damaged, a large natural disaster may result in disruptions in distribution channels or supply chains and significant increases in the prices of raw materials used for our manufacturing process. For instance, the nuclear incident following the tsunami in Japan in 2011 impacted the supply chains of our customers and suppliers. Furthermore, any disaster affecting our customers (or their respective customers) may significantly negatively impact the demand for our products and our revenues.

The impact of any such natural disasters depends on the specific geographic circumstances but could be significant, as some of our factories are located in areas with known earthquake fault zones, flood or storm risks, including but not limited to the Philippines, Singapore, Taiwan, Malaysia or Thailand. There is increasing concern that climate change is occurring that may cause a rising number of natural disasters with potentially dramatic effects on human activity. We cannot predict the economic impact, if any, of natural disasters or climate change.

***The price of our common stock historically has been volatile. The price of our common stock may fluctuate significantly.***

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price for our common stock has varied between a high of \$125.71 on February 22, 2018 and a low of \$67.71 on December 24, 2018 in the twelve-month period ending on December 31, 2018. The market price of our common stock is likely to continue to be volatile and subject to significant price and volume fluctuations for many reasons, including in response to the risks described in this section, changes in our dividend or share repurchase policies, or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors, peer companies or suppliers regarding their own performance, or announcements by our competitors of significant contracts, strategic partnerships, joint ventures, joint marketing relationships or capital commitments, the passage of legislation or other regulatory developments affecting us or our industry, as well as industry conditions and general financial, economic and political instability. In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

***We may have fluctuations in the amount and frequency of our stock repurchases.***

The amount, timing, and execution of our stock repurchases may fluctuate based on our priorities for the use of cash for other purposes—such as investing in our business, including operational spending, capital spending, and acquisitions, and returning cash to our stockholders as dividend payments—and because of changes in cash flows, tax laws, and the market price of our common stock.

***Future sales of our shares of common stock could depress the market price of our outstanding shares of common stock.***

The market price of our shares of common stock could decline as a result of sales of a large number of shares of our common stock in the market, or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

In the future, we may issue additional shares of common stock in connection with acquisitions and other investments. The amount of our common stock issued in connection with any such transaction could constitute a material portion of our then outstanding common stock.

***There can be no assurance that we will continue to declare cash dividends.***

Our board of directors has adopted a dividend policy pursuant to which we currently pay a cash dividend on our ordinary shares on a quarterly basis. The declaration and payment of any dividend is subject to the approval of our board and our dividend may be discontinued or reduced at any time. There can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all.

Future dividends, if any, and their timing and amount, may be affected by, among other factors: management's views on potential future capital requirements for strategic transactions, including acquisitions; earnings levels; contractual restrictions; cash position and overall financial condition; and changes to our business model. The payment of cash dividends is restricted by applicable law, contractual restrictions and our corporate structure.

***Our actual operating results may differ significantly from our guidance.***

From time to time, we release guidance regarding our future performance that represents our management's estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in such release and the factors described under "Forward-Looking Statements". Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles, reviews or examines the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Our guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future the data is forecasted. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

Any failure to successfully implement our operating strategy, or the occurrence of any of the events or circumstances set forth in, or incorporated by reference into, this Annual Report could result in the actual operating results being different than the guidance, and such differences may be adverse and material.

**Risks related to our corporate structure**

***United States civil liabilities may not be enforceable against us.***

We are incorporated under the laws of the Netherlands and substantial portions of our assets are located outside of the United States. In addition, certain members of our board, our officers and certain experts named herein reside outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such other persons residing outside the United States, or to enforce outside the United States judgments obtained against such persons in U.S. courts in any action. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, rights predicated upon the U.S. laws.

In the absence of an applicable treaty for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters to which the United States and the Netherlands are a party, a judgment obtained against the Company in the courts of the United States, whether or not predicated solely upon the U.S. federal securities laws, including a judgment predicated upon the civil liability provisions of the U.S. securities law or securities laws of any State or territory within the United States, will not be directly enforceable in the Netherlands.

In order to obtain a judgment which is enforceable in the Netherlands, the claim must be relitigated before a competent court of the Netherlands; the relevant Netherlands court has discretion to attach such weight to a judgment of the courts of the United States as it deems appropriate; based on case law, the courts of the Netherlands may be expected to recognize and grant permission for enforcement of a judgment of a court of competent jurisdiction in the United States without re-examination or relitigation of the substantive matters adjudicated thereby, provided that (i) the relevant court in the United States had jurisdiction in the matter in accordance with standards which are generally accepted internationally; (ii) the proceedings before that court complied with principles of proper procedure; (iii) recognition and/or enforcement of that judgment does not conflict with the public policy of the Netherlands; and (iv) recognition and/or enforcement of that judgment is not irreconcilable with a decision of a Dutch court rendered between the same parties or with an earlier decision of a foreign court rendered between the same parties in a dispute that is about the same subject matter and that is based on the same cause, provided that earlier decision can be recognized in the Netherlands.

Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce against us or members of our board of directors, officers or certain experts named herein who are residents of the Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters.

In addition, there is doubt as to whether a Dutch court would impose civil liability on us, the members of our board of directors, our officers or certain experts named herein in an original action predicated solely upon the U.S. laws brought in a court of competent jurisdiction in the Netherlands against us or such members, officers or experts, respectively.

***We are a Dutch public company with limited liability. The rights of our stockholders may be different from the rights of stockholders governed by the laws of U.S. jurisdictions.***

We are a Dutch public company with limited liability (*naamloze vennootschap*). Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of stockholders and the responsibilities of members of our board of directors may be different from the rights and obligations of stockholders in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, our board of directors is required by Dutch law to consider the interests of our company, its stockholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a stockholder. See Part II, Item 16G. *Corporate Governance*.

***We are a foreign private issuer and, as a result, are not subject to U.S. proxy rules but are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. issuer.***

We report under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we follow Dutch laws and regulations with regard to such matters, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including: (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the Commission of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are required to file their Annual Report on Form 20-F by 120 days after the end of each fiscal year while U.S. domestic issuers that are large accelerated filers are required to file their Annual Report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, even though we are contractually obligated and intend to make interim reports available to our stockholders, copies of which we are required to furnish to the Securities and Exchange Commission (the “SEC”) on a Form 6-K, and even though we are required to furnish reports on Form 6-K disclosing whatever information we have made or are required to make public pursuant to Dutch law or distribute to our stockholders and that is material to our company, you may not have the same protections afforded to investors in companies that are not foreign private issuers.

***We are a foreign private issuer and, as a result, in accordance with the listing requirements of the Nasdaq Global Select Market we rely on certain home country governance practices rather than the corporate governance requirements of the Nasdaq Global Select Market.***

We are a foreign private issuer. As a result, in accordance with the listing requirements of the Nasdaq Global Select Market (“Nasdaq”) we rely on home country governance requirements and certain exemptions thereunder rather than relying on the corporate governance requirements of Nasdaq. For an overview of our corporate governance principles, see Part II, Item 16.G. *Corporate Governance*, including the section describing the differences between the corporate governance requirements applicable to common stock listed on Nasdaq and the Dutch corporate governance requirements. Accordingly, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

#### **Risks related to our indebtedness**

***Our debt obligations expose us to risks that could adversely affect our financial condition, which could adversely affect our results of operations.***

As of December 31, 2018, we had outstanding indebtedness with an aggregate principal amount of \$7,400 million. Our substantial indebtedness could have a material adverse effect on our business by:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates in the event we have borrowings under our \$600 million revolving credit facility agreement (the “RCF Agreement”) because loans under the RCF Agreement bear interest at a variable rate;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness and any failure to comply with the obligations of any our debt instruments, including restrictive covenants and borrowing conditions, could result in an event default under the indentures governing our notes and agreements governing other indebtedness;

- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financial for working capital, capital expenditures, restructurings, product development, research and development, debt service requirements, investments, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Despite our level of indebtedness, we may still incur significantly more debt, which could further exacerbate the risks described above and affect our ability to service and repay our debt.

***If we do not comply with the covenants in our debt agreements or fail to generate sufficient cash to service and repay our debt, it could adversely affect our operating results and our financial condition.***

The RCF Agreement and the indentures governing our unsecured notes or any other debt arrangements that we may have require us to comply with various covenants. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon an event of default.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, competitive, legislative, regulatory and other factors beyond our control. Our business may not generate sufficient cash flow from operations, or future borrowings under the RCF Agreement or from other sources may not be available to us in an amount sufficient to enable us to repay our indebtedness, or to fund our other liquidity needs, including our working capital and capital expenditure requirements, and we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, restructure or refinance our indebtedness or reduce or delay capital expenditures, strategic acquisitions, investments and alliances, any of which could have a material adverse effect on our business. We cannot guarantee that we will be able to obtain enough capital to service our debt and fund our planned capital expenditures and business plan. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

***The rating of our debt by major rating agencies may further improve or deteriorate, which could affect our additional borrowing capacity and financing costs.***

The major debt rating agencies routinely evaluate our debt. These ratings are based on current information furnished to the ratings agencies by us and information obtained by the ratings agencies from other sources. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect our market value and/or increase our corporate borrowing costs.

***The conditional conversion feature of the 2019 Cash Convertible Senior Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the 2019 Cash Convertible Senior Notes is triggered, holders thereof will be entitled to convert the 2019 Cash Convertible Senior Notes solely into cash at any time during specified periods at their option. If one or more holders elect to convert their 2019 Cash Convertible Senior Notes, we would be required to pay cash to settle any such conversion, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2019 Cash Convertible Senior Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding aggregate principal of the 2019 Cash Convertible Senior Notes as a current rather than long-term liability, which may adversely affect our net working capital.

***The accounting for the 2019 Cash Convertible Senior Notes results in recognized interest expense significantly greater than the stated interest rate of the 2019 Cash Convertible Senior Notes and may result in volatility to our Consolidated Statements of Operations.***

We will settle conversions of the 2019 Cash Convertible Senior Notes entirely in cash. Accordingly, the conversion option that is part of the 2019 Cash Convertible Senior Notes is accounted for as a derivative pursuant to applicable accounting standards relating to derivative instruments and hedging activities. In general, this resulted in an initial valuation of the conversion option, which was bifurcated from the debt component of the 2019 Cash Convertible Senior Notes, resulting in an original issue discount. The original issue discount is amortized and recognized as a component of interest expense over the term of the 2019 Cash Convertible Senior Notes, which results in an effective interest rate reported in our Consolidated Statements of Operations significantly in excess of the stated coupon of 1.0%. This accounting treatment reduces our earnings, but does not affect the amount of cash interest paid to holders of Notes or our cash flows.

For each financial statement period after issuance of the 2019 Cash Convertible Senior Notes, a hedge gain or loss is reported in our Consolidated Statements of Operations to the extent the valuation of the conversion option changes from the previous period. The cash convertible note hedge transactions we entered into in connection with the 2019 Cash Convertible Senior Notes are also accounted for as derivative instruments, generally offsetting the gain or loss associated with changes to the valuation of the conversion option. Although we do not expect there to be a material net impact to our Consolidated Statements of Operations as a result of issuing the 2019 Cash Convertible Senior Notes and entering into the cash convertible note hedge transactions, we cannot assure you that these transactions will be completely offset, which may result in volatility to our Consolidated Statements of Operations.

**Item 4. Information on the Company**

***A. History and Development of the Company***

**Corporate Information**

Our legal name is NXP Semiconductors N.V. and our commercial name is “NXP” or “NXP Semiconductors”.

We are incorporated in the Netherlands as a Dutch public company with limited liability (*naamloze vennootschap*).

On August 5, 2010, we made an initial public offering of 34 million shares of our common stock and listed our common stock on Nasdaq.

We are a holding company (the “holding” company) whose only material assets are the direct ownership of 100% of the shares of NXP B.V., a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*).

Our corporate seat is in Eindhoven, the Netherlands. Our principal executive office is at High Tech Campus 60, 5656 AG Eindhoven, the Netherlands, and our telephone number is +31 40 2729999. Our registered agent in the United States is NXP USA, Inc., 6501 William Cannon Dr. West, Austin, Texas 78735, United States of America, phone number +1 512 9338214.

**Business Combinations**

On October 27, 2016, NXP entered into a purchase agreement (the “purchase agreement”) with Qualcomm River Holdings B.V. (“Buyer”), a wholly-owned, indirect subsidiary of QUALCOMM Incorporated (“Qualcomm”). Pursuant to the purchase agreement, Buyer commenced a tender offer to acquire all of the issued and outstanding common shares of NXP for \$110 per share in cash, for estimated total cash consideration of \$38 billion. On February 20, 2018, NXP entered into an amendment (the “purchase agreement amendment”) to the purchase agreement with Buyer. Pursuant to the purchase agreement amendment, Buyer agreed to revise the terms of its tender offer to acquire all of the issued and outstanding common shares of NXP and increase the offer price from \$110 per share to \$127.50 per share, for estimated total cash consideration of \$44 billion. On April 19, 2018, NXP and Buyer further amended the purchase agreement to extend the date that either Buyer or NXP would have the right to terminate the purchase agreement to July 25, 2018, subject to the terms of the purchase agreement.

On July 26, 2018, NXP received notice from Qualcomm that it had terminated, effective immediately, the purchase agreement, as amended, between NXP and Buyer following the inability to obtain the required approval for the transaction from the State Administration for Market Regulation (SAMR) of the People’s Republic of China prior to the end date stipulated by the parties under the purchase agreement. On July 26, 2018, NXP received \$2 billion termination compensation per the terms of the purchase agreement.

On December 7, 2015, NXP acquired Freescale in a stock and cash transaction for a total consideration of \$11.6 billion. In connection with the merger, each outstanding share of Freescale common stock was converted into 0.3521 shares of NXP common stock and \$6.25 in cash, without interest. NXP issued 110 million shares of common stock to former holders of Freescale common stock, representing 32% of the 342 million total shares of outstanding NXP common stock after the merger. Freescale’s financial results from the merger date through December 31, 2017, are included in NXP’s Consolidated Statement of Operations, as discussed herein. NXP accounted for the merger under the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standards Topic 805, Business Combinations, with NXP treated as the accounting acquirer, see further discussion below.

## Other Significant Transactions

On July 10, 2018, NXP completed the sale of its 40% equity interest of Suzhou ASEN Semiconductors Co., Ltd. to J&R Holding Limited, receiving \$127 million in cash proceeds.

In June 2018, NXP completed the sale of 24% of its equity interest in WeEn to Tianjin Ruixin Semiconductor Industry Investment Centre LLP, receiving \$32 million in cash proceeds. At December 31, 2018, due to the intended sale of the remaining interest in WeEn, NXP transferred the remaining holding to other current assets.

On April 19, 2017, we sold our shares in Advanced Semiconductor Manufacturing Corporation Ltd. (ASMC), representing a 27.47 percent ownership, for a total consideration of \$54 million.

On June 14, 2016, we announced an agreement to divest our Standard Products (“SP”) business to a consortium of financial investors consisting of JAC Capital and Wise Road Capital. On February 6, 2017 NXP divested SP, receiving \$2.6 billion in cash proceeds, net of cash divested.

See Part I, Item 5.B *Liquidity and Capital Resources* for a discussion of our principal capital expenditures.

## B. Business Overview

### Semiconductor Market Overview

Semiconductors perform a broad variety of functions within electronic products and systems, including processing data, sensing, storing information and converting or controlling electronic signals. Semiconductors vary significantly depending upon the specific function or application of the end product in which the semiconductor is used and the customer who is deploying it. Semiconductors also vary on a number of technical characteristics including the degree of integration, level of customization, programmability and the process technology utilized to manufacture the semiconductor. Advances in semiconductor technology have increased the functionality and performance of semiconductors, improving their features and power consumption characteristics while reducing their size and cost. These advances have resulted in growth of semiconductors and electronic content across a diverse array of products. The semiconductor market totaled \$469 billion in 2018.

### Our Company

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. For the year ended December 31, 2018, we generated revenue of \$9,407 million, compared to \$9,256 million for the year ended December 31, 2017.

We provide leading High Performance Mixed Signal (HPMS) and, until February 6, 2017, Standard Product (SP) solutions that leverage our combined portfolio of intellectual property, deep application knowledge, process technology and manufacturing expertise in the domains of cryptography—security, high-speed interface, radio frequency (RF), mixed-signal analog-digital (mixed A/D), power management, digital signal processing and embedded system design.

Our product solutions are used in a wide range of end-market applications including: automotive, personal security and identification, wireless and wireline infrastructure, mobile communications, multi-market industrial, consumer and computing. We engage with leading global original equipment manufacturers (OEM) and sell products in all major geographic regions.

### Reporting Segments

Until February 6, 2017, NXP was organized into two market oriented reportable segments, High Performance Mixed Signal (“HPMS”) and Standard Products (“SP”). Corporate and Other represents the remaining portion to reconcile to the Consolidated Financial Statements. You can find a description of each of our reportable segments below. We also have a manufacturing group that manages our manufacturing and supply chain activities.

Effective January 1, 2019, NXP removed the reference to HPMS in its organizational structure in acknowledgment of the one reportable segment representing the entity as a whole. In addition, as of January 1, 2019, the Company will report its revenue across the following four end-markets – Automotive; Industrial & IoT; Mobile; and Communications Infrastructure & Other and no longer through the four business lines that are discussed below.

### Markets, applications and products

HPMS products consist of highly differentiated application-specific semiconductors and system solutions. We believe the HPMS market is an attractive market due to the growth in excess of the overall semiconductor market, the high barriers to entry, the loyalty of the customer base, the relative pricing stability and lower long-term capital intensity.

SP products consisted primarily of discrete semiconductor devices that could be incorporated in many different types of electronics equipment, were typically sold to a wide variety of customers, and was divested on February 6, 2017.

## High Performance Mixed Signal

The HPMS segment consists of the following four business lines: Automotive, Secure Identification Solutions, Secure Connected Devices and Secure Interfaces and Infrastructure.

We focus on developing products and system and sub-system solutions that are innovative and allow our customers to bring their end products to market more quickly. Our products, particularly our application system and sub-system solutions, help our customers design critical parts of their end products and thus help many of them to differentiate themselves based on feature performance, advanced functionality, cost or time-to-market.

We apply our technical expertise in the areas of RF, analog, power management, interface, security technologies and digital processing across our priority applications markets. Our strong RF capabilities are utilized in our high performance RF for wireless infrastructure and industrial applications, car security and car radio products, mobile connectivity and contactless identification products. Our power technologies and capabilities are applied in AC-DC power conversion, power management and audio power products, while our ability to design ultra-low power semiconductors is used in a wide range of our products including our consumer, mobile, identification, healthcare products and our microcontrollers. Our high-speed interface design skills are applied in various interface products, and our security capability is used in our identification solutions, digital networking and microcontroller solutions. Finally, our digital processing capabilities are used in our microcontroller and application processor based products, our digital networking products, our Auto DSPs and the products leveraging our Coolflux ultra-low power DSPs, such as in our hearing aid products.

The below table provides an overview of the key applications per each business line, the leading market positions and our key customers.

	<u>Automotive</u>	<u>Secure Identification Solutions</u>	<u>Secure Connected Devices</u>	<u>Secure Interfaces and Infrastructure</u>
<b>Key applications</b>	<ul style="list-style-type: none"> <li>• Car access &amp; immobilizers</li> <li>• In vehicle networking</li> <li>• Car entertainment</li> <li>• ADAS</li> <li>• Telematics</li> <li>• ABS</li> <li>• Transmission/ throttle control</li> <li>• Automotive Lighting</li> <li>• Gateways</li> <li>• Battery Management</li> <li>• Sensors</li> </ul>	<ul style="list-style-type: none"> <li>• Secure identity</li> <li>• Tagging</li> </ul>	<ul style="list-style-type: none"> <li>• Secure transactions</li> <li>• Smartphone</li> <li>• Tablet</li> <li>• Personal computer</li> <li>• Smart buildings</li> <li>• White goods &amp; home appliances</li> <li>• Medical/Personal Healthcare</li> <li>• Industrial/ IoT</li> <li>• Consumer/TV/Set top box</li> </ul>	<ul style="list-style-type: none"> <li>• Wireless base stations</li> <li>• Networking</li> <li>• Satellite &amp; CATV infra</li> <li>• Radar</li> <li>• Power supplies</li> <li>• Lighting</li> <li>• Smartphone</li> <li>• Personal computer</li> <li>• Pachinko machines</li> </ul>
<b>Selected market leading positions</b>	<ul style="list-style-type: none"> <li>• #1 in Automotive semiconductors</li> <li>• #1 Can/LIN/ Flex Ray in-vehicle networking</li> <li>• #1 passive keyless entry/ immobilizers</li> <li>• #1 automotive applications processors</li> <li>• #1 car radio</li> <li>• #1 Chassis &amp; Safety</li> <li>• #2 Powertrain</li> <li>• #2 automotive MCU</li> <li>• #2 audio amplifiers</li> </ul>	<ul style="list-style-type: none"> <li>• #1 e-Government</li> <li>• #1 Transport &amp; Access management</li> <li>• #2 Banking</li> </ul>	<ul style="list-style-type: none"> <li>• #1 NFC/Secure Element</li> <li>• #3 1 broad based MCU</li> </ul>	<ul style="list-style-type: none"> <li>• #1 in RF Power</li> <li>• #2 in communication processors</li> </ul>
<b>Key OEM and electronic manufacturing services (EMS) end customers</b>	<ul style="list-style-type: none"> <li>• Autoliv</li> <li>• Bosch</li> <li>• Continental</li> <li>• Delphi</li> <li>• Denso</li> <li>• Fujitsu Ten</li> <li>• Lear</li> <li>• TRW</li> <li>• Valeo</li> <li>• Visteon</li> </ul>	<ul style="list-style-type: none"> <li>• Avery Dennison</li> <li>• Bundesdruckerei</li> <li>• China Vision Microelectronic</li> <li>• Chutian Dragon</li> <li>• Eastcompeace</li> <li>• Gemalto</li> <li>• Giesecke</li> <li>• HID</li> <li>• Linxens</li> <li>• Smartrac</li> </ul>	<ul style="list-style-type: none"> <li>• Amazon</li> <li>• Apple</li> <li>• BBK</li> <li>• Bosch</li> <li>• Huawei</li> <li>• LG</li> <li>• Reliance</li> <li>• Samsung</li> <li>• Visteon</li> <li>• ZLG Electronics</li> </ul>	<ul style="list-style-type: none"> <li>• Apple</li> <li>• Arris</li> <li>• Cisco</li> <li>• Ericsson</li> <li>• Huawei</li> <li>• Fujitsu</li> <li>• NEC</li> <li>• Nokia</li> <li>• Samsung</li> <li>• ZTE</li> </ul>

The table above provides a list of our key OEM, ODM and electronic manufacturing services end customers in alphabetical order, based on 2018 revenue, of which some of whom are supplied by distributors. Key distributors across these applications are Arrow, Avnet, Edom, Nexty, Vitec and WPG.

## Seasonal trends

Historically, our net revenue has typically been higher in the second half of the year than in the first half of the year.

**Automotive.** Growth in semiconductor sales to the global automotive market relies on global economic trends, the unit growth of automobiles manufactured and the growth in semiconductor content per vehicle which is being driven by the proliferation of electronic features throughout the vehicle. Among the highest growth applications are advanced driver assistance systems (ADAS), infotainment (information, convenience and connectivity), secure in-vehicle networking and electrified powertrain (hybrid and electric vehicles).

Due to the high degree of regulatory scrutiny and safety requirements, the automotive semiconductor market is characterized by stringent qualification processes, zero defect quality processes, functionally safe design architecture, high reliability, extensive design-in timeframes and long product life cycles which results in significant barriers to entry.



Semiconductor content per vehicle continues to increase due to government regulation for improved safety and emissions, the standardization of higher-end options across a greater number of vehicle classes as well as consumer demand for greater fuel efficiency, advanced safety and multimedia applications. Automotive safety features are evolving from passive safety systems to active safety systems with ADAS such as radar, vision, vehicle-to-vehicle and vehicle-to-infrastructure (V2X) systems. We believe regulatory actions and consumer demand in both the developed and emerging markets should drive the increase in applications such as ADAS, electric and hybrid powertrains, vehicle gateway and secure connectivity, electronic safety, as well as stability control. Semiconductor content per vehicle is also increasing to address applications such as engine management, fuel economy improvement, driver comfort, convenience and user interface. In addition, with the increase in overall semiconductor content in modern automobiles, the demand for secure in-vehicle networking continues to increase as various subsystems communicate within the automobile and with external devices and networks. Data integrity and security hardware features for safeguarding memory, communication and system data are also increasing in importance.

As a result of the Merger with Freescale, NXP became the largest semiconductor supplier to the automotive industry with strong positions in Car Entertainment, In-Vehicle Networking, Secure Car Access, Chassis & Safety and Powertrain. The combined portfolio is highly complementary, enabling NXP to address a broader scope of complete and complex solutions for our automotive partners. We continue to invest in growth areas including the evolution of the Secure Connected Car, ADAS, electrification of powertrains and other safety and comfort applications.

In Car Entertainment, we are the market leader with the broadest portfolio of products addressing both audio and visual head-end unit applications. Our leadership in audio processing for mid-to-high-end car radio is driven by excellent reception performance as well as high-levels of integration of terrestrial, satellite and digital multi-band tuners. Within the low-end and after-market car radio, our leadership is a result of highly integrated, single-chip radio solutions that offer our customers ease of implementation and lower total cost of ownership. In digital reception, we have developed multi-standard radios based on our software-defined radio implementation. In addition, we provide class-AB and class-D audio amplifiers and power analog products for car entertainment. Our i.MX applications processors, which are developed and brought to market by our Microcontroller and Processor teams, are highly integrated ARM-based application processors with integrated audio, video and graphics capability.

In the In-vehicle Networking market, we are the market leader, having played a defining role in setting in-vehicle networking standards including the CAN, LIN, FlexRay and more recently the two-wire automotive Ethernet standard. We are a leading supplier to major OEMs and continue to drive new system concepts, such as partial networking for enhanced energy efficiency. To strengthen our Ethernet position, in 2018 NXP acquired OmniPHY, a supplier of Gbit automotive Ethernet and SerDes IP.

In the Secure Car Access market, we are the market leader in two-way secure entry products, and have pioneered the development of next generation passive keyless entry/start with our customers. As a result of our R&D innovations we are a key supplier to almost all major automobile manufacturers for secure car access products.

In the Chassis & Safety domain, we offer a broad range of sensors and microcontrollers. Our inertial sensors enable vehicle stability control and airbag crash detection while our pressure sensors are well-positioned for continued growth in tire pressure monitoring, occupancy detection and engine control.

For Powertrains, we offer microcontroller and precision analog components which provide the intelligence needed for engine management systems that reduce emissions and improve fuel efficiency. In December 2013, we announced a joint venture with Datang Telecom, targeting the China domestic hybrid and electrical car market. This joint venture became active in April 2014.

For the electrification of vehicles, we have introduced a portfolio of battery cell controllers suitable for a wide range of automotive battery management systems, designed to deliver industry leading measurement accuracy and scalable, coherent functional safety mechanism up to ASIL-D. The new Battery Cell Controllers combined with NXP's comprehensive portfolio of world-class automotive microcontrollers, power management system basis chips and communication transceivers are a perfect solution for car makers to electrify their entire fleet across 12V, 48V, Plug-in Hybrid and electrical vehicles.

In ADAS, we are developing solutions for Radar, Vision and Secure V2X, including high-performance microcontrollers as well as precision analog radio frontends. In 2013, we made a strategic investment in Cohda Wireless, an equipment vendor in the Intelligent Transport Systems (ITS) market with whom we co-operate for V2X solutions. In December 2013, we also announced the intended sale of our Telematics Module business to Telit Communications which closed in March 2014.

We employ both proprietary in-house processes with automotive-grade, high-voltage, RF and non-volatile capabilities as well as advanced submicron foundry processes. We also deploy specialty IP such as leading edge security IP developed by our Secure Identification Solutions business, to enhance our automotive solutions. We design our products to be compliant with all key global relevant automotive quality standards (such as ISO/TS16949, AEC-Q-100 and VDA6.3).

For the full year 2018, we had High Performance Mixed Signal revenue of \$3,953 million in automotive applications, compared to \$3,762 million in 2017, which represents a 5.1% year over year increase. According to Strategy Analytics, the total market for automotive semiconductors was \$37.6 billion in 2017, and projects it will grow at a compounded annual growth rate of 7.5% between 2017 and 2021.

**Secure Identification Solutions (SIS).** The SIS business is focused on delivering solutions to address the security and privacy requirements of three specific end market dynamics: (1) the increasing adoption of chip-based banking cards (“Banking”); (2) the increasing usage of high-volume, single-payment platform systems for urban transportation (“Transit—Access”); and (3) the increased need to provide government sponsored products to assure privacy and secure cross-border movement of people (“eGov”).

Nearly all of SIS products consist of multi-functional solutions comprised of passive RF connectivity devices facilitating information transfer from the user document to reader infrastructure; secure, tamper-proof microcontroller devices in which information is securely encrypted (“secure element”); and secure real-time operating system software products to facilitate the encryption-decryption of data, and the interaction with the reader infrastructure systems. Our solutions are developed to assure extreme levels of security of user information, undergoing stringent and continued global governmental and banking certification processes, as well as delivering the highest level of device performance enabling significant throughput and productivity to our customers.

In the banking sector NXP is one of the leading suppliers in the contact, contactless and dual-interface bank card market. We have innovated and deployed “multi-application” banking solutions which support a combination of payment, transit and access solutions all leveraging a single physical bank card. In the transit and access market, NXP’s MIFARE products are ubiquitous throughout the world, having been deployed in over 750 cities, facilitating the mass transit requirements of over one billion people per day. Additionally our transit and access products are deployed in application such as employee identification for facility access and security. We are also focused on deploying our technology into new emerging market applications such as interactive gaming, theme-park attendee management and supply chain and inventory product management to support high velocity supply chain management. In the eGovernment sector, NXP is a market leader providing solutions for chip-based cross-border passports, drivers-licenses, health cards and other government sponsored identification documents. We have also worked with emerging market government agencies to facilitate government sponsored identity cards which also serve as payment platforms helping the mass-population of under-banked.

For the full year 2018, we had High Performance Mixed Signal revenue of \$554 million in SIS, compared to \$523 million in 2017, which represents a 5.9% year over year increase. According to ABI Research, the market size for secure identification ICs was \$3.3 billion in 2017, and is expected to grow at a compounded annual rate of 1% to \$3.4 billion in 2021.

**Secure Connected Devices (SCD).** The SCD business is focused on delivering solutions to enable the future of connected devices – also known as “Internet of Things” (IoT). We believe the future growth of secure connected devices requires the ability to deliver four fundamental functional capabilities: (1) embedded microcontrollers; (2) connectivity – short range RF and wireless technology (Bluetooth LE, Zigbee, Thread and NFC); (3) security; and (4) sensor. We see end-markets and applications emerging in the area of Mobile Payments, Smart Home-Health, Smart Cities, Wearables and Smart Industrial.

The SCD business has a broad portfolio of products which we believe enables NXP to successfully compete and deliver all aspects of semiconductor-based technologies for connected devices including microcontrollers, secure mobile transactions solutions and various connectivity solutions.

Post-Merger, we are one of the largest supplier of broad based microcontrollers. We differentiate ourselves versus our competitors with a broad portfolio of products addressing different processing power, connectivity standards, peripherals and security levels depending on customers evolving requirements.

We have a strong position in multi-purpose 32-bit ARM-based microcontrollers serving a broad array of applications. Our portfolio is highly scalable, and is coupled with our extensive software and design tools. This enables our customers to design-in and deploy our MCUs families, leveraging a consistent software development environment. Due to the scalability of our portfolio we are able to help future-proof our customer’s products as their systems evolve, becoming more complex or requiring greater processing capabilities over time. We believe we have the broadest ARM portfolio in the industry.

Our i.MX family of processors are designed in conjunction with a broad suite of additional products including power management solutions, audio codecs, touch sensors and accelerometers to provide full systems solutions across a wide range of operating systems and applications. Our i.MX 8 family of applications processors is a feature and performance scalable multi-core platform that includes single, dual and quad-core families based on the Arm Cortex architecture for advanced graphics, imaging, machine vision, audio, voice, video, and safety-critical applications. Together, these products provide a family of applications processors featuring software, power and pin compatibility across single, dual and quad core implementations. Software support includes Linux and Android implementations.

We are the market leader in secure mobile transactions. NXP has pioneered and led the development of the ISO standard for Near Field Communications (NFC), which is rapidly emerging as the de facto standard for secure short-range connectivity. In combination with our industry leading SmartMX family of secure element device as well as our secure operating system, NXP has garnered market leadership in the deployment of mobile wallets and mobile payment. Our position leverages our decades long position in cryptography and security in the Banking, Transit – Access and eGov sectors.

NXP has a broad and diverse portfolio of connectivity assets, IP and application knowledge which we believe enables us to fulfill our customer’s connectivity requirements for IoT applications, including smart lighting, smart energy, wireless remote controls & switches and healthcare monitoring.

In February 2015 we acquired Quintic, which brought assets and IP to broaden our connectivity portfolio. Specifically, Quintic is an innovator in the area of Bluetooth Low Energy (BTLE), a key connectivity standard for IoT devices.

Our mobile audio business focuses on smart speaker drivers and leverages many of the same core technologies and competencies as our personal healthcare business. We also sell software solutions for mobile phones through our NXP Software business. The NXP Software solutions business develops audio solutions that enable mobile device manufacturers to produce differentiated hand held products that enhance the end-user experience. Our software has been incorporated into over 1 billion mobile devices produced by many of the world's leading mobile device manufacturers.

Our personal healthcare revenue is generated in different segments. First, we have our hearing instrument and hearable products, which leverage our ultra-low power DSP, NVM, magnetic induction and 2.4GHz audio streaming radio technology. Second, we co-develop and manufacture custom medical imaging sensors for selected customers. Finally, we offer single chip solutions for monitoring patients' therapy compliance.

Our overall High Performance Mixed Signal revenue in the SCD business was \$2,723 million in 2018, compared to \$2,587 million in 2017, which represents a 5.3% year over year increase. The worldwide market for Microcontrollers 32-bit was \$9.0 billion in 2017, and we expect a compounded annual growth rate of 6.0% between 2017 and 2021.

Our leadership in secure/smartcard Microcontrollers and our position in the non-secure Microcontrollers outside Automotive creates a strong position in broad based Microcontrollers.

**Secure Interfaces and Infrastructure (SI&I).** Our SI&I businesses consist of: Digital Networking Processors, Secure Interface and System Management Products, High-performance RF Power-Amplifiers (HPRF) and Smart Antenna solutions.

NXP is a significant participant in the communications infrastructure market. Our communications processors are programmable semiconductors that perform tasks related to control and management of digital data, as well as network interfaces. They are designed to handle tasks related to data transmission between nodes within a network, the manipulation of that data upon arrival at its destination and protocol conversion. Our product portfolio includes 32-bit and 64-bit offerings ranging from a single core to 28- and 45-nanometer multicore QorIQ communications processors. Wireless-infrastructure processors combine communication processors with DSP functionality and specific wireless acceleration technology. Our portfolio of secure wireless-infrastructure processors targets small cells and macro base stations. These products perform baseband processing and support multiple cellular-network air-interfaces such as 5G, LTE-Advanced, TD-LTE, LTE, HSPA+, TD-SCDMA, and CDMA2000K. Used by leading OEMs worldwide, our broad portfolio of wireless-infrastructure and communications processors satisfies wireless infrastructure requirements.

We are a major supplier in interface, power, authentication and high-performance analog products. Our products address many interface and power standards and we serve various applications across the mobile, computing, industrial, consumer and automotive markets. We have broad product portfolios including I<sup>2</sup>C/PC, GPIO, LED controllers, real-time clocks, signal and load switches, signal integrity products, wired and wireless charging solutions, DC-DC, AC-DC converters and authentication products. We generate our revenue by selling products to a very broad customer base, which we serve through our distribution channel. We have successfully engaged with leading OEMs to drive custom and semi-custom products which in turn allow us to refine and accelerate our innovation and product roadmaps. We are engaged in development activities and standard setting initiatives with many of the innovation leaders in each of these markets.

Key growth drivers will be the adoption of fast wired USB-C and fast Qi wireless charging in mobile applications. Our value proposition is to provide differentiating and complete NXP end-to-end fast-charging solutions, for both wired and wireless charging. In AC-DC conversion application, we are a market leader in resonant power conversion below 300W. Our differentiation is based on our high-voltage power process technologies and engineering capabilities in designing high-efficiency power conversion products. In the computing market, we have industry-leading linear redriver products for 10-20Gbps signal integrity applications. In the audio market, we are a market leader in smart phones, as well as hearing instruments and hearables. We add value by combining low-power IC design and audio enhancement software for our customers. Our extensive I2C and GPIO portfolios serve very fragmented market segments, generating long-lived revenue with long-tail customers of varied applications. NXP is co-author to I3C and will lead in I3C product innovation.

Combined with NXP processors and complete with differentiating software, our analog, interface and power solutions provide customers with differentiating and complete solutions in focused IOT verticals, such as smart home and Industry 4.0.

We are the market leader in HPRF power amplifiers for markets, such as mobile base stations, wireless connectivity, satellite and CATV infrastructure and receivers, industrial applications, and to a lesser extent the military and aerospace markets. We are engaged with the majority of the largest customers in mobile base stations and in several other application areas.

Both Freescale and NXP prior to the Merger were the main suppliers into the HPRF power amplifier market. As a result of the Merger, NXP was required to sell its HPRF business. On December 7, 2015 NXP completed the divestment of its RF Power business to JAC Capital.

We also have a business offering Smart Antenna solutions focused on high-performance RF amplifiers. This business utilizes RF technologies optimized for various applications in the smartphone, consumer, industrial and infrastructure markets.

Our overall revenue in these businesses was \$1,792 million in 2018 versus \$1,873 million in 2017, which represents a decrease of 4.3% year over year.

## Standard Products

Until February 6, 2017, our SP business supplied a broad range of standard semiconductor components, such as small signal discretes, power discretes, protection and signal conditioning devices and standard logic devices, which were largely produced in dedicated in-house high-volume manufacturing operations. Our portfolio consisted of a large variety of catalog products, using widely-known production techniques, with characteristics that were largely standardized throughout the industry as well as leading discrete solutions especially in the field of ESD protection / EMI filtering and low loss rectification and power switching. Our SP products were often sold as separate components, but in many cases, were used in conjunction with our HPMS solutions, often within the same subsystems. Further, we were able to leverage customer engagements where we provided standard products devices, as discrete components, within a system to identify and pursue potential HPMS opportunities.

Our products were sold both directly to OEMs as well as through distribution, and were primarily differentiated on cost, packaging type and miniaturization, and supply chain performance. Alternatively, our innovative products included “design-in” products, which required significant engineering effort to be designed into an application solution. For these products, our efforts made it more difficult for a competitor to easily replace our product, which made these businesses more predictable in terms of revenue and pricing than is typical for standard products.

## Manufacturing

We manufacture integrated circuits and discrete semiconductors through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors. We manage our manufacturing assets together through one centralized organization to ensure we realize scale benefits in asset utilization, purchasing volumes and overhead leverage across businesses.

In the future, we expect to outsource an increased part of our internal demand for wafer foundry and packaging services to third-party manufacturing sources in order to increase our flexibility to accommodate increased demand.

The manufacturing of a semiconductor involves several phases of production, which can be broadly divided into “front-end” and “back-end” processes. Front-end processes take place at highly complex wafer manufacturing facilities (called fabrication plants or “wafer fabs”), and involve the imprinting of substrate silicon wafers with the precise circuitry required for semiconductors to function. The front-end production cycle requires high levels of precision and involves as many as 300 process steps. Back-end processes involve the assembly, test and packaging of semiconductors in a form suitable for distribution. In contrast to the highly complex front-end process, back-end processing is generally less complicated, and as a result we tend to determine the location of our back-end facilities based more on cost factors than on technical considerations.

We primarily focus our internal and joint venture wafer manufacturing operations on running proprietary specialty process technologies that enable us to differentiate our products on key performance features, and we generally outsource wafer manufacturing in process technologies that are available at third-party wafer foundries when it is economical to do so. In addition, we increasingly focus our in-house manufacturing on our competitive 8-inch wafer facilities, which predominantly run manufacturing processes in the 140 nanometer, 180 nanometer and 250 nanometer process nodes, and have concentrated the majority of our manufacturing base in Asia. This focus increases our return on invested capital and reduces capital expenditures.

Our front-end manufacturing facilities use a broad range of production processes and proprietary design methods, including CMOS, bipolar, bipolar CMOS (“BiCMOS”) and double-diffused metal on silicon oxide semiconductor (“DMOS”) technologies. Our wafer fabs produce semiconductors with line widths ranging from 90 nanometers to 3 microns for integrated circuits and 0.5 microns to greater than 4 microns for discretes. This broad technology portfolio enables us to meet increasing demand from customers for system solutions, which require a variety of technologies.

Our back-end manufacturing facilities test and package many different types of products using a wide variety of processes. To optimize flexibility, we use shared technology platforms for our back-end assembly operations. Most of our assembly and test activities are maintained in-house.

The following table shows selected key information with respect to our major front-end and back-end facilities:

Site	Ownership	Wafer sizes used	Line widths used (vm) (Microns)	Technology/Products
<b>Front-end</b>				
Singapore <sup>(1)</sup>	61.2%	8"	0.14-0.25	CMOS
Nijmegen, the Netherlands	100%	8"	0.14-0.80	CMOS, BiCMOS, LDMOS
Oak Hill, Austin, US	100%	8"	0.25	CMOS, BiCMOS, Sensors, LDMOS, HDTMOS, PowerCMOS
Chandler, US	100%	8"	0.25-0.50	CMOS, eNVM, PowerCMOS
Austin Technology and Manufacturing Center, US	100%	8"	0.09-0.18	CMOS, eNVM, PowerCMOS, Advanced CMOS, SoC
<b>Back-end<sup>(2)</sup></b>				
Kaohsiung, Taiwan	100%	—	—	NFC, Automotive Car-access, Micro-controllers
Bangkok, Thailand	100%	—	—	Automotive In-Vehicle Networking and Sensors, Banking and e-Passport modules, Standard Logic
Kuala Lumpur, Malaysia	100%	—	—	Micro-processors, Micro-controllers, Power Management, Analog and Mixed Signal, RF devices
Tianjin, China	100%	—	—	Micro-controllers, Analog and Sensors

(1) Joint venture with TSMC; we are entitled to 60% of the joint venture's annual capacity.

(2) On July 10, 2018, NXP completed the sale of its 40% equity interest of Suzhou ASEN Semiconductors Co., a back-end manufacturing joint venture with ASE in Suzhou, China.

We use a large number of raw materials in our front- and back-end manufacturing processes, including silicon wafers, chemicals, gases, lead frames, substrates, molding compounds and various types of precious and other metals. Our most important raw materials are the raw, or substrate, silicon wafers we use to make our semiconductors. We purchase these wafers, which must meet exacting specifications, from a limited number of suppliers in the geographic region in which our fabrication facilities are located. At our wholly owned fabrication plants, we use raw wafers ranging from 6 inches to 8 inches in size. Our SSMC wafer fab facility, which produces 8 inch wafers, is jointly owned by TSMC and ourselves. Emerging fabrication technologies employ larger wafer sizes and, accordingly, we expect that our production requirements will in the future shift towards larger substrate wafers.

We typically source our other raw materials in a similar fashion as our wafers, although our portfolio of suppliers is more diverse. Some of our suppliers provide us with materials on a just-in-time basis, which permits us to reduce our procurement costs and the negative cash flow consequences of maintaining inventories, but exposes us to potential supply chain interruptions. We purchase most of our raw materials on the basis of fixed price contracts, but generally do not commit ourselves to long-term purchase obligations, which permits us to renegotiate prices periodically.

#### Sales, Marketing and Customers

We market our products and solutions worldwide to a variety of OEMs, ODMs, contract manufacturers and distributors. We generate demand for our products by delivering HPMS solutions to our customers, and supporting their system design-in activities by providing application architecture expertise and local field application engineering support.

Our sales and marketing teams are organized into five regions, which are EMEA (Europe, the Middle East and Africa), the Americas, Japan, South Korea and Greater China (including Asia Pacific). These sales regions are responsible for managing customer relationships and creating demand for our solutions through the full ecosystem development, including our distributors and at our large number of mass market customers.

Our sales and marketing strategy focuses on key defined verticals in Automotive, Mobile, Industrial and IoT and Communication Infrastructure, deepening our relationship with our top OEMs and electronic manufacturing service customers, expanding our reach to our mass market customers, startups and our distribution partners and becoming their preferred supplier, which we believe assists us in reducing sales volatility in challenging markets. We have long-standing customer relationships with most of our customers. Our 10 largest OEM end customers, some of whom are supplied by distributors, in alphabetical order, are Apple, Aptiv, Bosch, Continental, Denso, Ericsson, Huawei, LG, Samsung and Visteon. We also have a strong position with our distribution partners being a top three semiconductor supplier (other than microprocessors and memory ICs) through distribution worldwide. Our 3 largest distribution partners are Arrow, Avnet and Nexty.

Our revenue is primarily the sum of our direct sales to OEMs plus our distributors' resale of NXP products. Avnet accounted for 14% of our revenue in 2018, 15% in 2017 and 13% in 2016. Arrow accounted for 10% of our revenue in 2018 and less than 10% of our revenue in 2017 and 2016. No other distributor accounted for greater than 10% of our revenue. With 11% of total revenue, Continental was the only OEM for which we had direct sales to that accounted for more than 10% of revenue in 2018 and 2017. In 2016, this percentage was below 10%.

See note 22 "*Segments and Geographical Information*" to the Consolidated Financial Statements for a breakdown of total revenue by segment and geographic market for the last three financial years.

#### **Research and Development, Patents and Licenses, etc.**

See the discussion set forth under Part I, Item 5.C. *Research and Development, Patents and Licenses, etc.*

#### **Competition**

We compete with many different semiconductor companies, ranging from multinational companies with integrated research and development, manufacturing, sales and marketing organizations across a broad spectrum of product lines, to "fabless" semiconductor companies, to companies that are focused on a single application market segment or standard product. Most of these competitors compete with us with respect to some, but not all, of our businesses.

Our key competitors in alphabetical order include Analog Devices Inc., Broadcom, Infineon, Intel, Marvell, Maxim Integrated Products, Microchip, Renesas, Power Integrations, Silicon Laboratories, STMicroelectronics and Texas Instruments.

The basis on which we compete varies across market segments and geographic regions. Our HPMS businesses compete primarily on the basis of our ability to timely develop new products and the underlying intellectual property and on meeting customer requirements in terms of cost, product features, quality, warranty and availability. In addition, our HPMS system solutions businesses require in-depth knowledge of a given application market in order to develop robust system solutions and qualified customer support resources.

#### **Legal Proceedings**

The information set forth under the "Litigation" caption of note 16 of our notes to the Consolidated Financial Statements included in Part III, Item 18 of this Annual Report is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see Part I, Item 3.D. *Risk Factors*.

#### **Environmental Regulation**

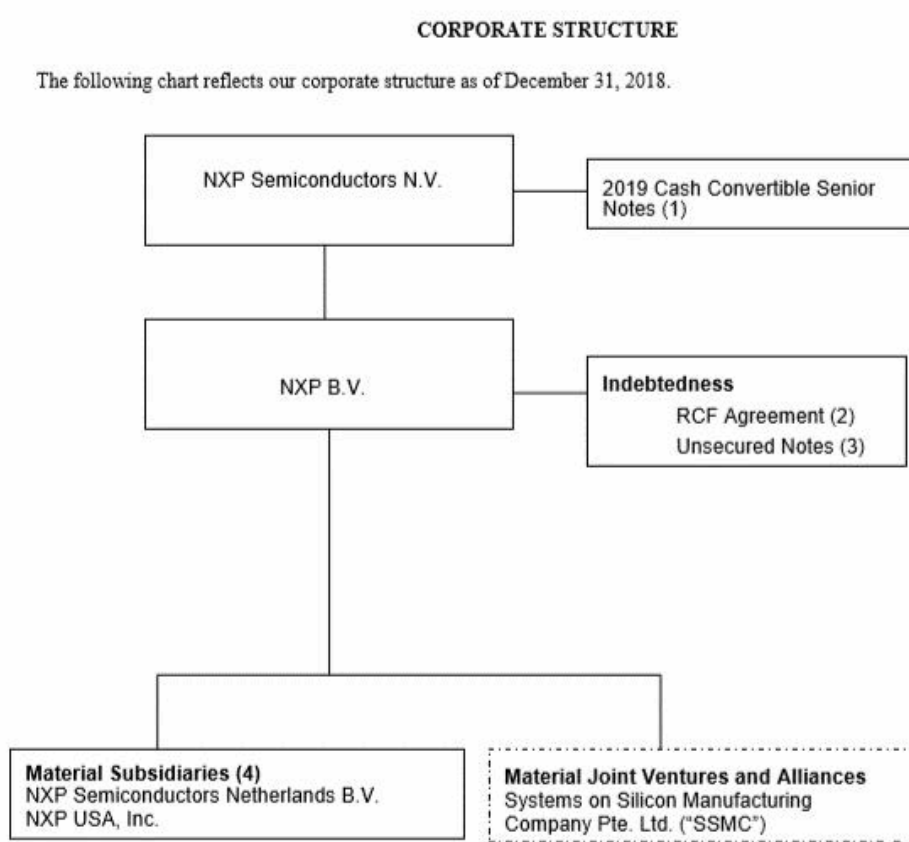
The information set forth under the "Environmental remediation" caption of note 16 of our notes to the Consolidated Financial Statements included in Part III, Item 18 of this Annual Report is incorporated herein by reference. For additional discussion of certain risks associated with environmental regulation, see Part I, Item 3.D. *Risk Factors*.

#### **C. Organizational Structure**

A list of our significant subsidiaries, including name, country of incorporation or residence and proportion of ownership interest and, if different, by proportion of voting power is provided as "Exhibit 21.1" under Part III, Item 19. *Exhibits* and is incorporated herein by reference.

## CORPORATE STRUCTURE

The following chart reflects our corporate structure as of December 31, 2018.



(1) As of December 31, 2018, we had \$1,150 million aggregate principal amount of 2019 Cash Convertible Senior Notes outstanding.

(2) As of December 31, 2018, no borrowings were outstanding under the RCF Agreement.

(3) As of December 31, 2018, we had \$6,250 million aggregate principal amount of unsecured notes outstanding.

(4) This list of material subsidiaries includes the subsidiaries that are guarantors of our outstanding unsecured notes. Other subsidiaries provide a guarantee under certain of our other outstanding indebtedness. See Part I, Item 5.B. *Liquidity and Capital Resources*, under the captions 2018 Financing Activities, 2017 Financing Activities and 2016 Financing Activities.

#### D. Property, Plant and Equipment

NXP uses 97 sites in 30 countries with 11.0 million square feet of total owned and leased building space of which 9.7 million square feet is owned property.

The following table sets out our principal real property holdings as of December 31, 2018:

Location	Use	Owned/leased	Building space (square feet)
Eindhoven, the Netherlands	Headquarters	Leased	163,188
Nijmegen, the Netherlands	Manufacturing	Owned	1,515,550
Singapore (SSMC) *	Manufacturing	Owned	971,936
Bangkok, Thailand	Manufacturing	Owned	547,882
Kaohsiung, Taiwan	Manufacturing	Owned	636,400
Tianjin, China	Manufacturing	Owned	447,624
Kuala Lumpur, Malaysia	Manufacturing	Owned	828,858
Chandler, United States	Manufacturing	Owned	1,173,196
Austin (Oak Hill), United States	Manufacturing	Owned	1,511,861
Austin (Ed Bluestein), United States	Manufacturing	Owned	1,158,731

\* Joint venture between TSMC and NXP.

Areas which are not fully closed are not considered as buildings (eg. sport fields, parking space). If it is not practicable to differentiate between production facility and offices in the same building all is considered manufacturing.

#### Item 4A. Unresolved Staff Comments

Not applicable.

#### Item 5. Operating and Financial Review and Prospects

##### Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with U.S. GAAP requires our management to make judgments, assumptions and estimates that affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. Our management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on the results that we report in our Consolidated Financial Statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. Our most critical accounting estimates include:

- the valuation of inventory, which impacts gross margin;
- the assessment of recoverability of goodwill, identified intangible assets and tangible fixed assets, which impacts gross margin or operating expenses when we record asset impairments or accelerate their depreciation or amortization;
- revenue recognition, which impacts our results of operations;
- the recognition of current and deferred income taxes (including the measurement of uncertain tax positions), which impacts our provision for income taxes;
- the assumptions used in the determination of postretirement benefit obligations, which impacts operating expenses;
- the assumptions used in the determination of share based compensation, which impacts gross margin and operating expenses; and
- the recognition and measurement of loss contingencies, which impacts gross margin or operating expenses when we recognize a loss contingency or revise the estimates for a loss contingency.

In the following section, we discuss these policies further, as well as the estimates and judgments involved.



## ***Inventories***

Inventories are valued at the lower of cost or market. We regularly review our inventories and write down our inventories for estimated losses due to obsolescence. This allowance is determined for groups of products based on sales of our products in the recent past and/or expected future demand. Future demand is affected by market conditions, technological obsolescence, new products and strategic plans, each of which is subject to change with little or no forewarning. In estimating obsolescence, we utilize information that includes projecting future demand.

The need for strategic inventory levels to ensure competitive delivery performance to our customers are balanced against the risk of inventory obsolescence due to rapidly changing technology and customer requirements.

The change in our reserves for inventories was primarily due to the normal review and accrual of obsolete or excess inventory. If actual future demand or market conditions are less favorable than those projected by our management, additional inventory write-downs may be required.

## ***Goodwill***

Goodwill is required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. Such events or changes in circumstances can be significant changes in business climate, operating performance or competition, or upon the disposition of a significant portion of a reporting unit. A significant amount of judgment is involved in determining if an indicator of impairment has occurred between annual test dates. This impairment review compares the fair value for each reporting unit containing goodwill to its carrying value. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions, including projected future cash flows, discount rates based on weighted average cost of capital and future economic and market conditions. We base our fair-value estimates on assumptions we believe to be reasonable. Actual cash flow amounts for future periods may differ from estimates used in impairment testing.

For the annual impairment assessment in 2018, we determined that for each of our reporting units, it was more likely than not that the fair value of the reporting units exceeded the carrying value. During the fourth quarter of each of the prior two fiscal years, we have completed our annual impairment assessments and concluded that goodwill was not impaired in any of these years.

## ***Impairment or disposal of identified intangible assets and tangible fixed assets***

We perform reviews of property, plant and equipment, and certain identifiable intangibles, excluding goodwill, to determine if facts and circumstances indicate that the useful life is shorter than what we had originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess the recoverability of the long-lived assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets or based on appraisals. Impairment losses, if any, are based on the excess of the carrying amount over the fair value of those assets.

The assumptions and estimates used to determine future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines. In 2018, we had no impairments. In 2017, we recognized impairment charges of \$23 million, of which \$16 million (2016: \$89 million) relative to IPR&D that was acquired from Freescale.

## ***Revenue recognition***

The Company recognizes revenue under the core principle to depict the transfer of control to customers in an amount reflecting the consideration the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The vast majority of the Company's revenue is derived from the sale of semiconductor products to distributors, Original Equipment Manufacturers ("OEMs") and similar customers. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the consideration to which the Company expects to be entitled. Variable consideration is estimated and includes the impact of discounts, price protection, product returns and distributor incentive programs. The estimate of variable consideration is dependent on a variety of factors, including contractual terms, analysis of historical data, current economic conditions, industry demand and both the current and forecasted pricing environments. The estimate of variable consideration is not constrained because the Company has extensive experience with these contracts.

Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, and whether risks and rewards of ownership having transferred to the customer.

For sales to distributors, revenue is recognized upon transfer of control to the distributor. For some distributors, contractual arrangements are in place which allow these distributors to return products if certain conditions are met. These conditions generally relate to the time period during which a return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product life cycle, when certain distributors are permitted to return products purchased during a pre-defined period after the Company has announced a product's pending discontinuance. These return rights are a form of variable consideration and are estimated using the most likely method based on historical return rates in order to reduce revenues recognized. However, long notice periods associated with these announcements prevent significant amounts of product from being returned. For sales where return rights exist, the Company has determined, based on historical data, that only a very small percentage of the sales of this type to distributors is actually returned. Repurchase agreements with OEMs or distributors are not entered into by the Company.

Sales to most distributors are made under programs common in the semiconductor industry whereby distributors receive certain price adjustments to meet individual competitive opportunities. These programs may include credits granted to distributors, or allow distributors to return or scrap a limited amount of product in accordance with contractual terms agreed upon with the distributor, or receive price protection credits when our standard published prices are lowered from the price the distributor paid for product still in its inventory. In determining the transaction price, the Company considers the price adjustments from these programs to be variable consideration that reduce the amount of revenue recognized. The Company's policy is to estimate such price adjustments using the most likely method based on rolling historical experience rates, as well as a prospective view of products and pricing in the distribution channel for distributors who participate in our volume rebate incentive program. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in pricing environments and inventory levels. The estimates are also adjusted when recent historical data does not represent anticipated future activity. Historically, actual price adjustments for these programs relative to those estimated have not materially differed.

#### ***Income taxes***

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Measurement of deferred tax assets and liabilities is based upon the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax liabilities for withholding taxes on dividends from subsidiaries are recognized in situations where the company does not consider the earnings indefinitely reinvested and to the extent that these withholding taxes are not expected to be refundable.

Deferred tax assets, including assets arising from loss carryforwards, are recognized, net of a valuation allowance, if based upon the available evidence it is more likely than not that the asset will be realized.

The income tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities. The income tax benefit recognized is measured based on the largest benefit that is more than 50% likely to be realized upon resolution of the uncertainty. Unrecognized tax benefits are presented as a reduction to the deferred tax asset for related net operating loss carryforwards, unless these would not be available, in which case the uncertain tax benefits are presented together with the related interest and penalties as a liability, under accrued liabilities and other non-current liabilities based on the timing of the expected payment. Penalties are recorded as income tax expense, whereas interest is reported as financial expense in the statement of operations.

#### ***Postretirement benefits***

The Company's employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other postretirement benefits and related assets and liabilities with respect to the Company's employees participating in defined-benefit plans are based upon actuarial valuations.

The projected defined-benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. For the Company's major plans, the discount rate is derived from market yields on high quality corporate bonds. Plans in countries without a deep corporate bond market use a discount rate based on the local government bond rates.

In calculating obligation and expense, the Company is required to select actuarial assumptions. These assumptions include discount rate, expected long-term rate of return on plan assets and rates of increase in compensation costs determined based on current market conditions, historical information and consultation with and input from our actuaries. Changes in the key assumptions can have a significant impact to the projected benefit obligations, funding requirements and periodic pension cost incurred. A sensitivity analysis is provided in note 14, "Postretirement Benefit Plans".

The Company determines the fair value of plan assets based on quoted prices or comparable prices for non-quoted assets. For a defined-benefit pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement defined benefit plan it is the accumulated postretirement benefit obligation.

### **Share-based compensation**

We recognize compensation expense for all share-based awards based on the grant-date estimated fair values, net of an estimated forfeiture rate. We use the Black-Scholes option pricing model to determine the estimated fair value for certain awards. Share-based compensation cost for restricted share units (“RSU”)s with time-based vesting is measured based on the closing fair market value of our common stock on the date of the grant, reduced by the present value of the estimated expected future dividends, and then multiplied by the number of RSUs granted. Share-based compensation cost for performance-based share units (“PSU”)s granted with performance or market conditions is measured using a Monte Carlo simulation model on the date of grant.

Our valuation models and generally accepted valuation techniques require us to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the volatility of our stock price, expected dividend yield, employee turnover rates and employee stock option exercise behaviors. When establishing the expected life assumption, we used the ‘simplified’ method prescribed in ASC Topic 718 for companies that do not have adequate historical data. The risk-free interest rate is measured as the prevailing yield for a U.S. Treasury security with a maturity similar to the expected life assumption. We also estimate a forfeiture rate at the time of grant and revise this rate in subsequent periods if actual forfeitures or vesting differ from the original estimates.

We evaluate the assumptions used to value our awards on a quarterly basis. If factors change and we employ different assumptions, share-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellation of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned share-based compensation expense.

### **Litigation and claims**

We are regularly involved as plaintiffs or defendants in claims and litigation related to our past and current business operations. The claims can cover a broad range of topics, including intellectual property, reflecting the Company’s identity as a global manufacturing and technology business. The Company vigorously defends itself against improper claims, including those asserted in litigation. Due to the unpredictable nature of litigation, there can be no assurance that the Company’s accruals will be sufficient to cover the extent of its potential exposure to losses but, historically, legal actions have not had a material adverse effect on the Company’s business, results of operations or financial condition.

The estimated aggregate range of reasonably possible losses is based on currently available information in relation to the claims that have arisen and on the Company’s best estimate of such losses for those cases for which such estimate can be made. For certain claims, the Company believes that an estimate cannot currently be made. The estimated aggregate range requires significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants (including the Company) in such claims whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the claims, and the attendant uncertainty of the various potential outcomes of such claims. Accordingly, the Company’s estimate will change from time to time, and actual losses may be more than the current estimate.

### **Use of Certain Non-GAAP Financial Measures**

Net debt is a non-GAAP financial measure and represents total debt (short-term and long-term) after deduction of cash and cash equivalents. Management believes this measure is an appropriate reflection of our net leverage.

We understand that, although net debt is used by investors and securities analysts in their evaluation of companies, this concept has limitations as an analytical tool and it should not be used as an alternative to any other measure in accordance with U.S. GAAP.

### **A. Operating Results**

#### **Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**

#### **Results of Operations**

The following table presents the composition of operating income for the years ended December 31, 2018 and 2017.

(\$ in millions, unless otherwise stated)	2018	2017
Revenue	9,407	9,256
% nominal growth	1.6	(2.5)
Gross profit	4,851	4,619
Research and development	(1,700)	(1,554)
Selling, general and administrative (SG&A)	(993)	(1,090)
Amortization of acquisition-related intangible assets	(1,449)	(1,448)
Other income (expense)	2,001	1,575
Operating income (loss)	2,710	2,102

## Revenue

The following table presents revenue by segment for the years ended December 31, 2018 and 2017.

(\$ in millions, unless otherwise stated)	2018		2017	
	Revenue	% nominal growth	Revenue	% nominal growth
High Performance Mixed Signal (“HPMS”)	9,022	3.2	8,745	8.1
Standard Products (“SP”)	-	-	118	(90.3)
Corporate and Other	385	(2.0)	393	104.7
Total	9,407	1.6	9,256	(2.5)

Revenue increased by \$151 million to \$9,407 million in 2018 compared to \$9,256 million in 2017, a nominal increase of 1.6%, despite the industry wide slowdown in the fourth quarter of 2018 and the inclusion of one month of revenue of the divested SP business in 2017.

Our HPMS segment reported an increase in revenue of \$277 million to \$9,022 million in 2018 compared to \$8,745 million in 2017, resulting in 3.2% nominal growth. The increase was primarily due to increased demand in Automotive and Secure Connected Devices and to a lesser extent in Secure Identification Solutions, partly offset by lower sales in Secure Interface & Infrastructure due to lower overall market demand.

Revenue for Corporate and Other amounted to \$385 million in 2018, compared to \$393 million in 2017 and mainly related to our manufacturing operations, including revenue derived from services to Nexperia.

## Gross Profit

The following table presents gross profit by segment for the years ended December 31, 2018 and 2017.

(\$ in millions, unless otherwise stated)	2018		2017	
	Gross Profit	% of segment revenue	Gross Profit	% of segment revenue
HPMS	4,822	53.4	4,527	51.8
SP	-	-	45	38.1
Corporate and Other	29	7.5	47	12.0
Total	4,851	51.6	4,619	49.9

Gross profit in 2018 was \$4,851 million, or 51.6% of revenue, compared to \$4,619 million, or 49.9% of revenue in 2017. The increase of \$232 million was primarily driven by incremental revenue generated in 2018 as well as lower depreciation related to the purchase accounting from the Freescale acquisition and partly offset by the divestment of SP.

Our HPMS segment had a gross profit of \$4,822 million, or 53.4% of revenue in 2018, compared to \$4,527 million, or 51.8% of revenue in 2017. The increase of \$295 million was primarily driven by incremental revenue generated in 2018 as well as lower depreciation related to the purchase accounting from the Freescale acquisition.

## Operating Expenses

The following table presents operating expenses by segment for the years ended December 31, 2018 and 2017.

(\$ in millions, unless otherwise stated)	2018		2017	
	Operating expenses	% of segment revenue	Operating expenses	% of segment revenue
HPMS	4,014	44.5	3,871	44.3
SP	-	-	14	11.9
Corporate and Other	128	33.2	207	52.7
Total	4,142	44.0	4,092	44.2

The following table below presents the composition of operating expenses by line item in the statement of operations.

(\$ in millions, unless otherwise stated)	2018	2017
Research and development	1,700	1,554
Selling, general and administrative	993	1,090
Amortization of acquisition-related intangible assets	1,449	1,448
Operating expenses	4,142	4,092

Operating expenses were \$4,142 million, or 44.0% of revenue in 2018, compared to \$4,092 million, or 44.2% of revenue in 2017, an increase of \$50 million. This was the result of higher expenses in R&D, partly offset by lower cost in SG&A due to a continued focus on cost control, lower merger related expenses and the divestment of SP.

In our HPMS segment, operating expenses amounted to \$4,014 million, or 44.5% of revenue in 2018, compared to \$3,871 million, or 44.3% of revenue in 2017. The increase was primarily the result of higher expenses in R&D.

Operating expenses in Corporate and Other amounted to \$128 million, or 33.2% of revenue in 2018, compared to \$207 million or 52.7% of revenue in 2017. The decrease in operating expenses was a result of less incurred expenses associated with the terminated proposed acquisition by Qualcomm Incorporated (6 months of merger cost in 2018 compared to a full year of merger cost in 2017).

#### **Restructuring Charges**

Total restructuring and restructuring related costs amounted to \$6 million in 2018, compared to \$1 million in 2017.

#### **Other Income (Expense)**

The following table presents other income (expense) for the years ended December 31, 2018 and 2017.

(\$ in millions, unless otherwise stated)	2018	2017
Other income (expense)	2,001	1,575

Other income (expense) reflects income of \$2,001 million for 2018, compared to \$1,575 million of income in 2017. Included in 2018 is the break-up fee received from Qualcomm, whereas the 2017 amount included the realized gain of \$1,597 million on the sale of the SP business to JAC Capital.

#### **Financial Income (Expense)**

(\$ in millions)	For the years ended December 31,	
	2018	2017
Interest income	48	27
Interest expense	(273)	(310)
Foreign exchange rate results	(14)	(30)
Net gain (loss) on extinguishment of debt	(26)	(41)
Other	(70)	(12)
Total	(335)	(366)

Financial income (expense) was an expense of \$335 million in 2018, compared to an expense of \$366 million in 2017. The change in financial income (expense) is primarily attributable to (i) the decrease in interest expense, net, as a result of repayment of debt in 2018, (ii) a favorable impact of foreign exchange rate results and (iii) lower debt extinguishment cost related to repayment of debt, offset by (a) a one-time charge (\$60 million) on certain financial instruments for compensation related to an adjustment event required by the termination of the Qualcomm Purchase Agreement and (b) fees for the Bridge loan.

#### **Benefit (Provision) for Income Taxes**

We recorded an income tax expense of \$176 million in 2018, which reflects an effective tax rate of 7.4% compared to a benefit of \$483 million (27.8%) in 2017. The effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate, adjustments of prior years' income taxes and the mix of income and losses in various jurisdictions. The impact of these items results in offsetting factors that attribute to the change in the effective tax rate between the two periods, with the significant drivers outlined below:

- The U.S. Tax Cuts and Jobs Act is the primary driver for the change between the two periods as a result of the one-time benefit of \$734 million we received in 2017, which only had an impact of an additional income tax benefit of \$3 million in 2018.
- The Netherlands tax incentives increased in 2018 due to the fact that NXP reached an agreement with the Dutch tax authorities relative to the application of the Dutch innovation box regime to the taxable income attributable to the Netherlands. In addition to this, in 2018, NXP received a break-up fee from Qualcomm of \$2,000 million which helped drive a higher income before tax in 2018 than in 2017, even though in 2017 NXP had realized a gain of \$1,597 million on the divestment of SP business.
- The adjustments to prior years' income taxes increased in 2018 as a result of the aforementioned agreement which is effective from January 1, 2017. As such, the Company was able to refine its estimate of the Dutch tax liability, recognizing an additional income tax benefit of \$67 million in 2018.
- The other differences in 2018 relate primarily to a tax benefit on the liquidation of a former investment of \$45 million.

On a go-forward basis, cash payments for corporate income taxes that are relative to our on-going operations are expected to remain at \$30-35 million per quarter during 2019. Our future cash payments for income taxes will also be impacted by the following non-recurring events, resulting in additional payments of \$349 million in total, with \$298 million being paid in 2019 and \$51 million being paid in 2020.

### Results Relating to Equity-accounted Investees

Results relating to equity-accounted investees amounted to a gain of \$59 million in 2018, which includes a net gain realized of \$51 million resulting from the sale of ASEN in July 2018. In 2017, results relating to equity-accounted investees amounted to a gain of \$53 million, including a gain of \$31 million resulting from the sale of ASMC in April 2017.

### Non-controlling Interests

Non-controlling interests are related to the third-party share in the results of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$50 million in 2018, compared to a profit of \$57 million in 2017.

## Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

### Results of Operations

The following table presents the composition of operating income for the years ended December 31, 2017 and 2016.

(\$ in millions, unless otherwise stated)	2017	2016
Revenue	9,256	9,498
% nominal growth	(2.5)	55.7
Gross profit	4,619	4,069
Research and development	(1,554)	(1,560)
Selling, general and administrative (SG&A)	(1,090)	(1,141)
Amortization of acquisition-related intangible assets	(1,448)	(1,527)
Other income (expense)	1,575	9
Operating income (loss)	2,102	(150)

### Revenue

The following table presents revenue by segment for the years ended December 31, 2017 and 2016.

(\$ in millions, unless otherwise stated)	2017		2016	
	Revenue	% nominal growth	Revenue	% nominal growth
High Performance Mixed Signal ("HPMS")	8,745	8.1	8,086	71.3
Standard Products ("SP")	118	(90.3)	1,220	(1.7)
Corporate and Other	393	104.7	192	37.1
Total	9,256	(2.5)	9,498	55.7

Revenue decreased by \$242 million to \$9,256 million in 2017 compared to \$9,498 million in 2016, a nominal decrease of 2.5%, reflecting the divestment of the SP business.

Our HPMS segment reported an increase in revenue of \$659 million to \$8,745 million in 2017 compared to \$8,086 million in 2016, resulting in 8.1% nominal growth. The increase was primarily due to increased demand in Automotive and Secure Connected Devices and to a lesser extent in Secure Interface & Infrastructure offset by lower sales in Secure Identification Solutions due to a combination of lower overall market demand and average sales price compression.

Revenue for our SP segment was \$118 million in 2017, compared to \$1,220 million in 2016. The decrease was attributable to the divestment of the SP business on February 6, 2017. As of the divestment date, revenue derived from services to the former SP activities (Nexperia) in order to support their separation and, on a limited basis, their ongoing operations, is included in the Corporate & Other segment. As the Nexperia business develops or acquires its own foundry and packaging capabilities, our revenue from this source is expected to decline.

Revenue for Corporate and Other amounted to \$393 million in 2017, compared to \$192 million in 2016 and mainly related to our manufacturing operations, including revenue derived from services to Nexperia.

## Gross Profit

The following table presents gross profit by segment for the years ended December 31, 2017 and 2016.

(\$ in millions, unless otherwise stated)	2017		2016	
	Gross Profit	% of segment revenue	Gross Profit	% of segment revenue
HPMS	4,527	51.8	3,625	44.8
SP	45	38.1	437	35.8
Corporate and Other	47	12.0	7	3.6
Total	4,619	49.9	4,069	42.8

Gross profit in 2017 was \$4,619 million, or 49.9% of revenue compared to \$4,069 million, or 42.8% of revenue in 2016. The increase of \$550 million was primarily driven by the absence of the impact of purchase accounting on inventory recognized in 2016, as a result of the acquisition of Freescale, in addition to the continued improvement of our operational performance and improved product mix, partly offset by the impact of the divestment of SP.

Our HPMS segment had a gross profit of \$4,527 million, or 51.8% of revenue in 2017, compared to \$3,625 million, or 44.8% of revenue in 2016. The increase in the gross profit percentage of 7.0 points as a percentage of revenue was primarily driven by the absence of the impact of purchase accounting on inventory (\$448 million) in 2016, in addition to the continued improvement of our operational performance and improved product mix.

Gross profit in our SP segment was \$45 million, or 38.1% of revenue in 2017, compared to \$437 million, or 35.8% of revenue in 2016. The decrease in gross profit was a result of the divestment of the SP business on February 6, 2017.

## Operating Expenses

The following table presents operating expenses by segment for the years ended December 31, 2017 and 2016.

(\$ in millions, unless otherwise stated)	2017		2016	
	Operating expenses	% of segment revenue	Operating expenses	% of segment revenue
HPMS	3,871	44.3	3,937	48.7
SP	14	11.9	168	13.8
Corporate and Other	207	52.7	123	64.1
Total	4,092	44.2	4,228	44.5

The following table below presents the composition of operating expenses by line item in the statement of operations.

(\$ in millions, unless otherwise stated)	2017	2016
Research and development	1,554	1,560
Selling, general and administrative	1,090	1,141
Amortization of acquisition-related intangible assets	1,448	1,527
Operating expenses	4,092	4,228

Operating expenses were \$4,092 million, or 44.2% of revenue in 2017, compared to \$4,228 million, or 44.5% of revenue in 2016, a decrease of \$136 million. The decrease in operating expenses was primarily the result of realized synergies from the acquisition of Freescale, lower expenses related to the amortization of acquisition-related intangible assets, in addition to the impact of the divestment of SP, with only one month of operating activities in the current period.

In our HPMS segment, operating expenses amounted to \$3,871 million, or 44.3% of revenue in 2017, compared to \$3,937 million, or 48.7% of revenue in 2016. The decrease was primarily the result of realized synergies from the acquisition of Freescale and lower expenses related to the amortization of acquisition-related intangible assets.

Operating expenses in our SP segment decreased to \$14 million, or 11.9% of revenue in 2017, compared to \$168 million or 13.8% of revenue in 2016. The decrease in operating expenses was a result of the divestment of the SP business on February 6, 2017.

Operating expenses in Corporate and Other amounted to \$207 million, or 52.7% of revenue in 2017, compared to \$123 million or 64.1% of revenue in 2016. The increase in operating expenses was a result of incurred expenses associated with the proposed acquisition by QUALCOMM Incorporated and increased legal costs in connection with potential and current legal proceedings. The decrease in operating expenses as a percentage of revenue is driven by the increase in revenue as a result of the services we now provide to Nexperia.

## Restructuring Charges

Total restructuring and restructuring related costs amounted to \$1 million in 2017, compared to \$68 million in 2016.

In 2016, the restructuring charges were for various specific targeted actions and were comprised of employee severance costs.

### Other Income (Expense)

The following table presents other income (expense) for the years ended December 31, 2017 and 2016.

(\$ in millions, unless otherwise stated)	<u>2017</u>	<u>2016</u>
Other income (expense)	1,575	9

Other income (expense) reflects income of \$1,575 million for 2017 compared to \$9 million of income in 2016. Included in 2017 is the realized gain of \$1,597 million on the sale of the SP business in 2017.

### Financial Income (Expense)

(\$ in millions)	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest income	27	11
Interest expense	(310)	(408)
Foreign exchange rate results	(30)	(15)
Net gain (loss) on extinguishment of debt	(41)	(32)
Other	(12)	(9)
Total	<u>(366)</u>	<u>(453)</u>

Financial income (expense) was an expense of \$366 million in 2017, compared to an expense of \$453 million in 2016. The change in financial income (expense) is primarily attributable to (i) the decrease in interest expense, net, as a result of repayment of debt in 2017, offset by (ii) a less favorable impact of foreign exchange rate results and by (iii) higher debt extinguishment cost related to repayment of debt.

### Benefit (Provision) for Income Taxes

The effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate and the mix of income and losses in various jurisdictions. We recorded a tax benefit of \$483 million in 2017, which reflects a benefit of 27.8% compared with a benefit of \$851 million (141.1%) for 2016.

On December 22, 2017, the President of the United States signed into law what is informally called the Tax Cuts and Jobs Act, a comprehensive U.S. tax reform package that, effective January 1, 2018, among other things, lowered the corporate income tax rate from 35% to 21%, moved the country towards a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of foreign subsidiaries and introduced a 30% limitation on deductibility of interest. Under the accounting rules, companies are required to recognize the effects of changes in tax laws and tax rates on deferred tax assets and liabilities in the period in which the new legislation is enacted. The effects of the Tax Cuts and Jobs Act on NXP include three major categories (i) re-measurement of deferred taxes, (ii) reassessment of the realizability of deferred tax assets and (iii) recognition of liabilities for taxes on mandatory deemed repatriation. As described further below, we recorded an income tax benefit of \$734 million in the year ended December 31, 2017. As we do not have all the necessary information to analyze all income tax effects of the Tax Cuts and Jobs Act, this is a provisional amount which we believe represents a reasonable estimate of the accounting implications of this tax reform. We will continue to evaluate the Tax Cuts and Jobs Act and adjust the provisional amounts as additional information is obtained. The ultimate impact of tax reform may differ from our provisional amounts due to changes in our interpretations and assumptions, as well as additional regulatory guidance that may be issued.

We expect to complete our detailed analysis no later than the fourth quarter of 2018. Below is a brief description of each of the three categories of effects from U.S. tax reform and its impact on the Company:

- i. A deferred tax benefit of \$565 million related to the revaluation of NXP USA's net deferred tax liabilities due to the reduction of the U.S. corporate tax rate from 35% to 21%. The Company believes that the disallowed interest available per end of full year 2017 can still be carried forward and therefore continued to recognize a deferred tax asset of \$156 million in this respect.
- ii. A deferred tax benefit of \$277 million for the reversal of net deferred tax liabilities previously accrued related to NXP USA's cumulative undistributed foreign earnings. The Company believes this is a reasonable estimate of the impact of the Tax Cuts and Jobs Act but considers the release of this deferred tax liability as provisional pending further interpretation and guidance regarding whether future distribution from pre-1987 earnings and profits (E&P) will be subject to U.S. income tax.
- iii. A deferred tax expense of \$108 million for the mandatory repatriation "Toll Tax". The Company expects to utilize part of its unused foreign tax credit carryforwards that existed at the end of 2016 to fully cover the Toll Tax. Additional work is necessary to do a more detailed analysis of post-1986 earnings and profits (E&P) and creditable foreign-taxes of U.S.-owned subsidiaries. Further, the Toll Tax is based in part on the amount of those earnings held in cash and other specific assets, which may be further defined by regulatory guidance.

As previously discussed, on February 6, 2017 we divested Standard Products, receiving \$2.75 billion in cash proceeds. In relation to the gain that will be realized, the Company currently estimates that we will incur approximately \$360 million of capital gains taxes



that will come due in increments during 2017-2019. Cash payments for income taxes that are relative to our ongoing operations are expected to remain at \$35 to \$40 million per quarter during 2018. In relation to the gain we made additional cash payments in 2017 of \$270 million. For the period 2018-2019, we currently estimate additional cash payments relative to this gain of \$90 million.

In the fourth quarter of 2017, the Company recorded an adjustment to recognize tax expense in the amount of \$121 million related to the first three quarters of 2017. The adjustment relates to transfer pricing and purchase accounting. Other than the amount related to goodwill (see note 13), the adjustment did not impact financial statements for the years ended December 31, 2016 or 2015.

#### ***Results Relating to Equity-accounted Investees***

Results relating to the equity-accounted investees amounted to a gain of \$53 million in 2017, which includes \$31 million gain resulting from the sale of ASMC in April 2017. In 2016, results relating to the equity-accounted investees amounted to a gain of \$11 million.

#### ***Non-controlling Interests***

Non-controlling interests are related to the third party share in the results of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$57 million in 2017, compared to a profit of \$59 million in 2016.

### **B. Liquidity and Capital Resources**

#### **Liquidity and Capital Resources**

We derive our liquidity and capital resources primarily from our cash flows from operations. We continue to generate strong positive operating cash flows. As of December 31, 2018, our cash balance was \$2,789 million, a decrease of \$758 million compared to December 31, 2017 (\$3,547 million). Taking into account the available undrawn amount of the Secured Revolving Credit Facility (the "RCF Agreement") of \$600 million, we had access to \$3,389 million of liquidity as of December 31, 2018.

We currently use cash to fund operations, meet working capital requirements, for capital expenditures and for potential common stock repurchases, dividends and strategic investments. Based on past performance and current expectations, we believe that our current available sources of funds (including cash and cash equivalents, RCF Agreement, plus anticipated cash generated from operations) will be adequate to finance our operations, working capital requirements, capital expenditures and potential dividends for at least the next year. Our capital expenditures were \$611 million in 2018, compared to \$552 million in 2017. On July 26, 2018, subsequent to the termination of the purchase agreement, the board of directors of NXP authorized the repurchase of an additional \$5 billion of the Company's stock. During October 2018, the board of directors of NXP authorized the additional repurchase of approximately 15 million shares. The extended authorization, effective November 1, 2018, is above the completed \$5 billion share repurchase program announced on July 26, 2018. As of year-end 2018, NXP repurchased 54.4 million shares, for a total of approximately \$5 billion. Under Dutch tax law, the repurchase of a company's shares by an entity domiciled in the Netherlands results in a taxable event. The tax on the repurchased shares is attributed to the shareholders, with NXP making the payment on the shareholders' behalf. As such, the tax on the repurchased shares is accounted for within stockholders' equity.

On November 16, 2018, the Company, as authorized by the June 2018 AGM, cancelled 5% (representing 17,300,143 shares) of the issued number of NXP shares. As a result, the number of issued NXP shares as per November 16, 2018 is 328,702,719 shares.

On September 10, 2018, NXP announced the initiation of a Quarterly Dividend Program under which the Company intends to pay a regular quarterly cash dividend. Accordingly, interim dividends of \$0.25 per ordinary share were paid on October 5, 2018 and January 7, 2019.

Our total debt amounted to \$7,354 million as of December 31, 2018, an increase of \$789 million compared to December 31, 2017 (\$6,565 million). On April 2, 2018, we fully redeemed the \$500 million of outstanding principal amount of our 5.75% Senior Notes due 2023 using available surplus cash. Additionally, on April 9, 2018, we fully redeemed the \$750 million of outstanding principal amount of our 3.75% Senior Notes due 2018 using available surplus cash. On September 19, 2018, we entered into a \$1 billion senior unsecured bridge term credit facility agreement under which an aggregate principal amount of \$1 billion (the "Bridge Loan") was borrowed. On December 6, 2018, NXP entered into 3 new senior unsecured notes, which are due in 2024 (\$1 billion), 2026 (\$500 million) and 2028 (\$500 million). A portion of the net proceeds from the December 6, 2018 notes offering was used to repay the \$1 billion Bridge Loan in December 2018.

At December 31, 2018, our cash balance was \$2,789 million, of which \$140 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner. In 2018, a dividend of \$139 million has been declared by SSMC, of which \$54 million was distributed to the joint venture partner.

From time to time, we engage in discussions with third parties regarding potential acquisitions of, or investments in, businesses, technologies and product lines. Any such transaction could require significant use of our cash and cash equivalents, or require us to arrange for new debt and equity financing to fund the transaction. Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions. In the future, we may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness. Our business may not generate sufficient cash flow from operations, or we may not have enough capacity under the RCF Agreement, or from other sources in an amount sufficient to enable us to repay our indebtedness, including the RCF Agreement, the unsecured notes or to fund our other liquidity needs, including working capital and capital expenditure requirements. In any such case, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. See Part I, Item 3.D. *Risk Factors*.

#### ***Cash Flow from Operating Activities***

In 2018 our operating activities provided \$4,369 million in cash. This was primarily the result of net income of \$2,258 million, adjustments to reconcile the net income of \$2,114 million and changes in operating assets and liabilities of (\$3) million. Net income includes offsetting non-cash items, such as depreciation and amortization of \$1,987 million, share-based compensation of \$314 million, amortization of the discount on debt and debt issuance costs of \$52 million, a loss on extinguishment of debt of \$26 million, results relating to equity-accounted investees of (\$54) million and changes in deferred taxes of (\$211) million.

In 2017 our operating activities provided \$2,447 million in cash. This was primarily the result of net income of \$2,272 million, adjustments to reconcile the net income of \$113 million and changes in operating assets and liabilities of \$62 million. Net income includes offsetting non-cash items, such as depreciation and amortization of \$2,173 million, the gain on the sale of assets of (\$1,615) million, share-based compensation of \$281 million, amortization of the discount on debt and debt issuance costs of \$52 million, a loss on extinguishment of debt of \$41 million and changes in deferred taxes of (\$797) million.

In 2016 our operating activities provided \$2,303 million in cash. This was primarily the result of net income of \$259 million, adjustments to reconcile the net income of \$1,673 million and changes in operating assets and liabilities of \$371 million. The net income includes non-cash items, such as depreciation and amortization of \$2,205 million, share-based compensation of \$338 million, amortization of the discount on debt and debt issuance costs of \$50 million, a loss on extinguishment of debt of \$32 million and changes in deferred taxes of (\$925) million.

#### ***Cash Flow from Investing Activities***

Net cash used for investing activities amounted to \$522 million in 2018 and principally consisted of the cash outflows for capital expenditures of \$611 million and \$50 million for the purchase of identified intangible assets, partly offset by proceeds of \$159 million from the sale of businesses (net of cash).

Net cash provided by investing activities amounted to \$2,072 million in 2017 and principally consisted of the cash inflow from proceeds from the sale (net of cash) of the SP business, partly offset by the cash outflows for capital expenditures of \$552 million and \$66 million for the purchase of identified intangible assets, mainly related to the purchase of licenses.

Net cash used for investing activities amounted to \$627 million in 2016 and principally consisted of cash outflows for purchases of interests in business (net of cash) of \$202 million, capital expenditures of \$389 million and \$59 million for the purchase of identified intangible assets, mainly related to the purchase of licenses, partly offset by proceeds of \$20 million from the sale of business (net of cash).

#### ***Cash Flow from Financing Activities***

Net cash used for financing activities was \$4,597 million in 2018, \$2,886 million in 2017 and \$1,392 million in 2016. The cash flows related to financing transactions in 2018, 2017 and 2016 are primarily related to the financing activities described below under the captions *2018 Financing Activities*, *2017 Financing Activities* and *2016 Financing Activities*, respectively.

In addition to the financing activities described below, net cash used for financing activities by year included:

	Year ended December 31,		
	2018	2017	2016
Dividends paid to non-controlling interests	(54)	(89)	(126)
Dividends paid to common stockholders	(74)	-	-
Cash proceeds from exercise of stock options	39	233	115
Purchase of treasury shares	(5,006)	(286)	(1,280)
Cash paid for terminated acquisition adjustment event	(60)	-	-
Cash paid on behalf of shareholders for tax on repurchased shares	(142)	-	-
Excess tax benefits from share-based compensation plans	-	-	5

## 2018 Financing Activities

### 2024, 2026 and 2028 Senior Unsecured Notes

On December 6, 2018, NXP B.V., together with NXP Funding LLC, issued \$1 billion of 4.875% Senior Unsecured Notes due March 1, 2024, \$500 million of 5.35% Senior Unsecured Notes due March 1, 2026 and \$500 million of 5.55% Senior Unsecured Notes due 2028. NXP used a portion of the net proceeds of the offering of these notes to repay in full the Bridge Loan, as described below. The remaining proceeds will be used for general corporate purposes, which may include the repurchase of additional shares of NXP's common stock.

### 2019 Bridge Loan

On September 19, 2018, NXP B.V., together with NXP Funding LLC, entered into a \$1 billion senior unsecured bridge term credit facility agreement under which an aggregate principal amount of \$1 billion of term loans (the "Bridge Loan") was borrowed. The Bridge Loan was to mature on September 18, 2019 and the interest at a LIBOR rate plus an applicable margin of 1.5 percent. NXP used the net proceeds of the Bridge Loan for general corporate purposes as well as to finance parts of the announced equity buy-back program. On December 6, 2018, the Bridge Loan was repaid in full, as described above.

### 2018 Senior Notes

On March 8, 2018, NXP B.V., together with NXP Funding LLC, delivered notice that it would repay to holders of its 3.75% Senior Notes due 2018 (the "2018 Notes") \$750 million of the outstanding aggregate principal amount of the 2018 Notes, which represented all of the outstanding aggregate principal amount of the 2018 Notes. The repayment occurred in April 2018 using available surplus cash.

### 2023 Senior Notes

On March 2, 2018, NXP B.V., together with NXP Funding LLC, delivered notice that it would repay to holders of its 5.75% Senior Notes due 2023 (the "2023 Notes") \$500 million of the outstanding aggregate principal amount of the 2023 Notes, which represented all of the outstanding aggregate principal amount of the 2023 Notes. The repayment occurred in April 2018 using available surplus cash.

## 2017 Financing Activities

### 2017 and 2020 Term Loans

In February 2017, NXP repaid (i) all its outstanding floating-rate term loan due March 2017 in an aggregate principal amount of \$388 million, (ii) all its outstanding floating-rate term loan due January 2020 in an aggregate principal amount of \$387 million and (iii) all its outstanding floating-rate term loan due December 2020 in an aggregate principal amount of \$1,436 million, in each case, together with accrued interest and applicable fees. The repayment occurred in February 2017 with the funds for these repayments coming from the proceeds of the divestment of the SP business.

### 2021 Senior Unsecured Notes

In March 2017, NXP redeemed \$500 million of the outstanding aggregate principal amount of its 5.75% Senior Unsecured Notes due 2021, which represented all of the outstanding aggregate principal amount of these Notes. The funds for this redemption coming from available surplus cash.

## **2016 Financing Activities**

### *2020 Term Loan*

On September 22, 2016, NXP entered into a new \$1,440 million aggregate principal amount Senior Secured Term Loan Facility due December 7, 2020. Concurrently, NXP repaid the \$1,440 million principal amount Senior Secured Term Loan Facility due December 7, 2020.

### *2022 Senior Unsecured Notes*

On August 11, 2016, NXP B.V., together with NXP Funding LLC, issued U.S. dollar-denominated 3.875% Senior Unsecured Notes with an aggregate principal amount of \$1,000 million, due September 1, 2022. The interest is payable semi-annually on March 1 and September 1 of each year, beginning on March 1, 2017. The Notes were issued at par and were recorded at their fair value of \$1,000 million on the accompanying Consolidated Balance Sheet. NXP used the net proceeds from the offering of the Notes to redeem the remaining \$960 million aggregate principal amount of its outstanding Senior Secured Notes due 2022 and to pay for certain costs and expenses related thereto.

### *2021 Additional Senior Unsecured Notes*

On August 1, 2016, NXP B.V., together with NXP Funding LLC, issued an aggregate principal amount of \$500 million of 4.125% Senior Unsecured Notes due 2021 (the "Additional Notes"). The Additional Notes were issued at a price of 101.875% and are of the same class as the existing 4.125% Senior Notes due 2021 originally issued on May 23, 2016. NXP used the net proceeds from the offering of the Additional Notes to redeem \$200 million aggregate principal amount of its outstanding Senior Notes due 2016 and used the remainder of the proceeds for general corporate purposes.

### *2021 and 2023 Senior Unsecured Notes*

On May 23, 2016, NXP B.V. together with NXP Funding LLC issued U.S. dollar-denominated 4.125% and 4.625% Senior Unsecured Notes with aggregate principal amounts of \$850 million, due June 1, 2021 and \$900 million, due June 1, 2023. The interest is payable semi-annually on June 1 and December 1 of each year, beginning on December 1, 2016. These Notes were issued at par and were recorded at their fair value of \$850 million and \$900 million, respectively, on the accompanying Consolidated Balance Sheet. NXP used the net proceeds from the offering of the Notes and cash on hand to repay \$1,250 million aggregate principal amount of its existing Secured Term Loan B due 2020 and \$500 million aggregate principal amount of its outstanding Senior Secured Notes due 2021.

### *2016 Senior Unsecured Notes*

On February 23, April 27 and August 1, 2016, NXP B.V., together with NXP Funding LLC, issued redemption notices for an aggregate principal amount of \$200 million, \$100 million and \$200 million, respectively, of its outstanding 3.5% Senior Unsecured Notes due 2016. The funds from this redemption came from available surplus cash.

## **Debt Position**

### ***Short-term Debt***

As of December 31, 2018, our short-term debt amounted to \$1,107 million.

As of December 31, 2017, our short-term debt amounted to \$751 million.

## Long-term Debt

As of December 31, 2018, we had outstanding debt of:

(\$ in millions)	December 31, 2017	Accrual/release Original Issuance/Debt Discount and Debt Issuance Cost	Debt Exchanges/ Repurchases/ New Borrowings	Other <sup>(11)</sup>	December 31, 2018
U.S. dollar-denominated 4.125% senior unsecured notes due June 2020 <sup>(1)</sup>	597	1			598
U.S. dollar-denominated 4.125% senior unsecured notes due June 2021 <sup>(2)</sup>	1,349				1,349
U.S. dollar-denominated 4.625% senior unsecured notes due June 2022 <sup>(3)</sup>	397	1			398
U.S. dollar-denominated 4.625% senior unsecured notes due June 2023 <sup>(4)</sup>	894	1			895
U.S. dollar-denominated 3.875% senior unsecured notes due June 2023 <sup>(5)</sup>	994	1			995
U.S. dollar-denominated 5.75% senior unsecured notes due March 2023 <sup>(6)</sup>	497	3	(500)		-
U.S. dollar-denominated 4.875% senior unsecured notes due March 2024 <sup>(7)</sup>	-	(6)	1,000		994
U.S. dollar-denominated 5.35% senior unsecured notes due March 2026 <sup>(7)</sup>	-	(3)	500		497
U.S. dollar-denominated 5.55% senior unsecured notes due December 2028 <sup>(7)</sup>	-	(4)	500		496
U.S. dollar-denominated 1.00% cash convertible senior notes due December 2019 <sup>(8)</sup>	1,059	46		(1,105)	-
	5,787	40	1,500	(1,105)	6,222
RCF Agreement <sup>(9)</sup>	-				-
Other long-term debt <sup>(10)</sup>	27	-	-	(2)	25
<b>Total long-term debt</b>	<b>5,814</b>	<b>40</b>	<b>1,500</b>	<b>(1,107)</b>	<b>6,247</b>

(1) On June 9, 2015, we issued \$600 million aggregate principal amount of 4.125% Senior Unsecured Notes due 2020.

(2) On May 23, 2016, and August 1, 2016, we issued \$850 million and \$500 million, respectively, aggregate principal amount of 4.125% Senior Unsecured Notes due 2021.

(3) On June 9, 2015, we issued \$400 million aggregate principal amount of 4.625% Senior Unsecured Notes due 2022.

(4) On May 23, 2016, we issued \$900 million aggregate principal amount of 4.625% Senior Unsecured Notes due 2023.

(5) On August 11, 2016, we issued \$1,000 million aggregate principal amount of 3.875% Senior Unsecured Notes due 2022.

(6) On March 15, 2013, we issued \$500 million aggregate principal amount of 5.75% Senior Unsecured Notes due 2023. On April 2, 2018, we fully redeemed the \$500 million of outstanding principal.

(7) On December 6, 2018, we issued \$1,000 million aggregate principal amount of 4.875% Senior Unsecured Notes due 2024, \$500 million aggregate principal amount of 5.35% Senior Unsecured Notes due 2026 and \$500 million aggregate principal amount of 5.55% Senior Unsecured Notes due 2028.

(8) On November 24, 2014, we issued \$1,150 million aggregate principal amount of 1.00% Cash Convertible Senior Notes due 2019.

(9) On December 7, 2015, we entered into a \$600 million Revolving Credit Facility agreement due 2020.

(10) Other long-term debt consists primarily of capital lease obligations.

(11) Other mainly relates to the reclassification of the current portion of long-term debt and the purchase price accounting step-up of the Freescale Notes.

We may from time to time continue to seek to retire or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. See the discussion in Part I, Item 5.B. *Liquidity and Capital Resources* and Part II, Item 10.C. *Material Contracts*.

### ***Certain Terms of the 2019 Cash Convertible Senior Notes***

We have issued \$1,150 million aggregate principal amount of 2019 Cash Convertible Senior Notes, which bear interest at 1.00% per annum and mature on December 1, 2019, unless earlier converted, repurchased or redeemed. The 2019 Cash Convertible Senior Notes pay interest on June 1 and December 1 of each year, beginning on June 1, 2015. The 2019 Cash Convertible Senior Notes are senior unsecured obligations of NXP Semiconductor N.V. and will be settled solely in cash upon conversion. We may not redeem the 2019 Cash Convertible Senior Notes prior to their maturity date other than following the occurrence of certain tax law changes as set forth in the indenture governing the 2019 Cash Convertible Senior Notes (the “Convertible Notes Indenture”). Upon the occurrence of certain events which constitute a “fundamental change” under the Convertible Notes Indenture, such as certain change of control, the holders of 2019 Cash Convertible Senior Notes may require us to repurchase for cash all or part of their 2019 Cash Convertible Senior Notes at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest.

Prior to September 1, 2019, holders may convert their 2019 Cash Convertible Senior Notes only upon satisfaction of certain conditions specified in the Convertible Notes Indentures. On or after September 1, 2019 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may, at their option, convert their 2019 Cash Convertible Senior Notes solely into cash at any time.

Upon conversion, in lieu of receiving any shares of our common stock, a holder will receive, per \$1,000 principal amount of 2019 Cash Convertible Senior Notes being converted, an amount in cash equal to the settlement amount, determined as described in the Convertible Notes Indenture. The conversion rate will initially be 9.7236 shares of our common stock per \$1,000 principal amount (equivalent to an initial conversion price of \$102.84 per share). The conversion rate for the 2019 Cash Convertible Senior Notes is subject to customary anti-dilution adjustments and will also be adjusted for any fundamental change or tax redemption, each as described in the Convertible Notes Indenture.

Concurrently with the issuance of the 2019 Cash Convertible Senior Notes, we entered into cash convertible note hedge and warrant transactions.

### ***Cash Convertible Note Hedge Transactions and Warrant Transactions***

On November 24, 2014 and November 25, 2014, in connection with our issuances of the 2019 Cash Convertible Senior Notes, we entered into cash convertible note hedge transactions with affiliates of the initial purchasers of the 2019 Cash Convertible Senior Notes (in such capacity, the “Option Counterparties”) to offset any cash payment we are required to make in excess of the principal amount of the 2019 Cash Convertible Senior Notes.

In these transactions, we paid \$208 million for call options, subject to customary anti-dilution adjustments, that cover an aggregate 11.18 million shares of NXP’s common stock, with an initial strike price of \$102.84 per share. The Option Counterparties or their respective affiliates may enter into, or unwind, various over-the-counter derivatives and/or purchase or sell our common stock in open market and/or privately negotiated transactions prior to maturity of the 2019 Cash Convertible Senior Notes, including during any observation period for the settlement of conversions of the 2019 Cash Convertible Senior Notes, or upon any repurchase of the 2019 Cash Convertible Senior Notes by us, which could adversely impact the price of our common stock and of the 2019 Cash Convertible Senior Notes.

Separately, we sold warrants to the Option Counterparties for \$134 million giving them the right to purchase from us, subject to customary anti-dilution adjustments, 11.18 million shares of NXP’s common stock, with an initial strike price of \$133.32 per share. The warrants will have a dilutive effect with respect to our common stock to the extent that the market price per share of our common stock exceeds the strike price of the warrants on or prior to the expiration date of the warrants. The warrants expire on various dates starting from March 2, 2020, and will be net share settled. Under the terms of the warrants, each Option Counterparty may adjust certain terms of its warrants upon the announcement, termination or occurrence of certain events. The warrant transactions may also be terminated if the Option Counterparty determines that no such adjustment will produce a commercially reasonable result, and that the relevant event is reasonably likely to occur. Any such adjustment may increase our delivery obligations upon expiration and settlement of the warrants or our obligations upon their cancellation, termination or unwinding, which would be settled using shares of our stock.

### ***C. Research and Development, Patents and Licenses, etc.***

#### **Research and Development**

We believe that our future success depends on our ability to both improve our existing products and to develop new products for both existing and new markets. We direct our research and development efforts largely to the development of new HPMS semiconductor solutions where we see significant opportunities for growth. We target applications that require stringent overall system and subsystem performance. As new and challenging applications proliferate, we believe that many of these applications will benefit from our solutions. We have assembled a global team of highly skilled semiconductor and embedded software design engineers with expertise in RF, analog, power management, interface, security and digital processing. As of December 31, 2018, we had 8,452 employees in research and development.

To outpace market growth we invest in research and development to extend or create leading market positions, with an emphasis on fast growing sizable market segments, such as automotive advanced driver-assistance systems (ADAS), in-vehicle networks and power management as well as Edge computing to support the successful deployment in the Internet of Things with our cross-over processing technology, but also in emerging markets, such as massive MIMO in RF Power and millimeter wave for 5G. Finally, we invest a few percent of our total research and development expenditures in research activities that develop fundamental new technologies or product categories that could contribute significantly to our company growth in the future.

We annually perform a fundamental review of our business portfolio and our related new product and technology development opportunities in order to decide on changes in the allocation of our research and development resources. For products targeting established markets, we evaluate our research and development expenditures based on clear business need and risk assessments. For break-through technologies and new market opportunities, we look at the strategic fit and synergies with the rest of our portfolio and the size of the potential addressable market. Overall, we allocate our research and development to maintain a healthy mix of emerging growth and mature businesses.

### **Intellectual Property**

The creation and use of intellectual property is a key aspect of our strategy to differentiate ourselves in the marketplace. We seek to protect our proprietary technologies by obtaining patents, trademarks, domain names, retaining trade secrets and defending, enforcing and utilizing our intellectual property rights, where appropriate. We believe this strategy allows us to preserve the advantages of our products and technologies, and helps us to improve the return on our investment in research and development. We have a broad portfolio of over 9,000 patent families (each patent family includes all patents and patent applications originating from the same invention). To protect certain confidential technical information and software, we rely on copyright and trade secret law and enter into confidentiality agreements as applicable. In situations where we believe that a third party has infringed on our intellectual property, we enforce our rights through all available legal means to the extent that we determine the benefits of such actions to outweigh any costs and risks involved.

We own a number of trademarks that are used in the conduct of our business. Where we consider it desirable, we develop names for our new products and secure trademark protection. Our trademarks allow us to further distinguish our company and our products and are important in our relationships with customers, suppliers, partners and end-users.

While our patents, trademarks, trade secrets and other intellectual property rights constitute valuable assets, we do not view any individual right or asset as being material to our operations as a whole. We believe it is the combination of our proprietary technology, patents, know-how and other intellectual property rights and assets that creates an advantage for our business.

In addition to obtaining our own patents and other intellectual property rights, we have entered into licensing agreements and other arrangements authorizing us to use intellectual property rights, confidential technical information, software and other technology owned by third parties. We also engage, in certain instances, in licensing and selling of certain of our technology, patents and other intellectual property rights.

### **D. Trend Information**

NXP Semiconductors enables secure connections and infrastructure for a smarter world, providing solutions that make lives easier, better and safer. Building on our expertise in processing, connectivity and security, we are driving innovation in the areas of autonomous and safe driving, end-to-end security and privacy and smart connected solutions markets. Our innovative solutions are used in a wide range of applications. The automotive industry is seeing a transformational change centered around three megatrends: autonomous driving, safe driving and clean driving. We are responding to those changes by delivering innovative solutions for secure vehicle-to-infrastructure and vehicle-to-vehicle communication, radar, secure car access, car entertainment, in-vehicle networking and battery management solutions. The increasing number of interconnected devices (e.g., cars, smartphones, wearables, TVs, smart speakers, etc.) needing real-time analysis and secure processing is exponentially increasing the amount of processing power needed both on the edge and in the end nodes. They provide fertile new markets for our broad range of microcontrollers, application processors, connectivity and security solutions. Innovation in smartphones and tablets drives demand for our secure interface and power solutions while always-on requirements in secure connected devices further drive demand for our advanced mobile audio, sensing and connectivity solutions. Many electronic payment and government ID services are enabled by our secure identification solutions and with the transition of those services to new form factors in secure connected devices, there is strong market demand for embedded security solutions such as mobile payment, cyber-security and authentication. Next generation networks which deliver increasing demand for data are enabled by our new high-performance RF solutions.

Currently we see the first quarter of 2019 having worse than seasonal revenue trends. Unfortunately, we do not have any unique insights to forecast the duration or depth of the slowdown but with most third-party economists continuing to forecast global GDP at just under a 3 percent range, you would have to believe, the second half of 2019 will be stronger than the first half.

Overall, we believe that we are strategically positioned to capture rapid growth in emerging markets through our strong position in Greater China (China, Hong Kong and Taiwan), which represented 39% of our revenue in 2018, compared to 41% of our revenue in 2017, and in Asia Pacific, which represented 29% of our revenue in 2018, compared to 27% of our revenue in 2017.

Please also refer to Item 5.A. *Operating Results* of this Annual Report on Form 20-F for further discussion of trend information.

### E. Off-balance Sheet Arrangements

As of December 31, 2018, we had no material off-balance sheet arrangements.

### F. Tabular Disclosure of Contractual Obligations

Presented below is a summary of our contractual obligations as of December 31, 2018.

(\$ in millions)	Total	2019	2020	2021	2022	2023	2024 and thereafter
Long-term and short-term debt (1)	7,400	1,150	600	1,350	1,400	900	2,000
Capital lease obligations	27	2	1	1	2	2	19
Operating leases	156	43	35	24	13	11	30
Interest on the notes (2)	1,328	281	270	230	193	124	230
Long-term purchase contracts	333	230	71	18	3	1	10
Total contractual cash obligations (2)(3)(4)	9,244	1,706	977	1,623	1,611	1,038	2,289

(1) The amounts noted herein represent contractual payments of principal only.

(2) The cash interest on the notes was determined on the basis of contractual agreed interest rates for other debt instruments.

(3) As of December 31, 2018, we had reserves of \$179 million recorded for uncertain tax positions, including interest and penalties. We are not including this amount in the long-term contractual obligations table presented because of the difficulty in making reasonably reliable estimates of the timing of cash settlements, if any, with the respective taxing authorities.

(4) Certain of these obligations are denominated in currencies other than U.S. dollars, and have been translated from foreign currencies into U.S. dollars based on an aggregate average rate of \$1.1794 per €1.00, in effect at December 31, 2018. As a result, the actual payments will vary based on any change in exchange rate.

Our debt instruments had accrued interest of \$31 million as of December 31, 2018 (December 31, 2017: \$35 million).

In addition to the above obligations, we enter into a variety of agreements in the normal course of business, containing provisions that certain penalties may be charged if we do not fulfill our commitments. It is not possible to predict with certainty the maximum potential amount of future payments under these or similar provisions due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular case. Historically, payments pursuant to such provisions have not been material and we believe that any future payments required pursuant to such provisions would not have a material adverse effect on our consolidated financial condition. However, such payments may be material to our Consolidated Statement of Operations for a specific period.

We sponsor pension plans in many countries in accordance with legal requirements, customs and the local situation in the countries involved. These are defined-benefit pension plans, defined contribution pension plans and multi-employer plans. Contributions to funded pension plans are made as necessary, to provide sufficient assets to meet future benefits payable to plan participants. These contributions are determined by various factors, including funded status, legal and tax considerations and local customs. The expected cash outflows in 2019 and subsequent years are uncertain and may change as a consequence of statutory funding requirements as well as changes in actual versus currently assumed discount rates, estimations of compensation increases and returns on pension plan assets.

### G. Safe Harbor

This Annual Report includes forward-looking statements. When used in this Annual Report, the words “anticipate”, “believe”, “estimate”, “forecast”, “expect”, “intend”, “plan” and “project” and similar expressions, as they relate to us, our management or third parties, identify forward-looking statements. Forward-looking statements include statements regarding our business strategy, financial condition, results of operations and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of our management, as well as assumptions made by our management and information currently available to us. Although we believe that these beliefs and assumptions are reasonable, these statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf and include, in addition to those listed under Part I, Item 3.D. *Risk Factors* and elsewhere in this Annual Report, the following:

- market demand and semiconductor industry conditions;
- our ability to successfully introduce new technologies and products;
- the demand for the goods into which our products are incorporated;
- trade disputes between the U.S. and China, potential increase of barriers to international trade and resulting disruptions to our established supply chains;
- our ability to generate sufficient cash, raise sufficient capital or refinance our debt at or before maturity to meet both our debt service and research and development and capital investment requirements;



- our ability to accurately estimate demand and match our production capacity accordingly or obtain supplies from third-party producers;
- our access to production from third-party outsourcing partners, and any events that might affect their business or our relationship with them;
- our ability to secure adequate and timely supply of equipment and materials from suppliers;
- our ability to avoid operational problems and product defects and, if such issues were to arise, to rectify them quickly;
- our ability to form strategic partnerships and joint ventures and successfully cooperate with our alliance partners;
- our ability to win competitive bid selection processes;
- our ability to develop products for use in our customers' equipment and products;
- our ability to successfully hire and retain key management and senior product engineers; and
- our ability to maintain good relationships with our suppliers.

We do not assume any obligation to update any forward-looking statements and disclaim any obligation to update our view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the forward-looking statements made in this Annual Report, except as required by law.

In addition, this Annual Report contains information concerning the semiconductor industry and business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, our market and business segments will develop. We have based these assumptions on information currently available to us, including through the market research and industry reports referred to in this Annual Report. If any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, they could have a material adverse effect on our future results of operations and financial condition, and the trading price of our common stock.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

*The following description sets forth certain information about management and management-related matters. We have a one-tier board structure.*

#### Board of Directors

Set forth below are the names, ages and positions as of December 31, 2018, of the persons who serve as members of our board of directors.

Name	Age	Position
Richard L. Clemmer	67	Executive director and chief executive officer
Sir Peter Bonfield	74	Non-executive director and chairman of the board
Johannes P. Huth	58	Non-executive director and vice-chairman of the board
Kenneth A. Goldman	69	Non-executive director
Josef Kaeser	61	Non-executive director
Eric Meurice	62	Non-executive director
Peter Smitham	76	Non-executive director
Julie Southern	59	Non-executive director
Gregory L. Summe	62	Non-executive director

- **Richard L. Clemmer (1951, American).** Mr. Clemmer became executive director, president and chief executive officer on January 1, 2009. Prior to that, from December 2007, Mr. Clemmer was a member of the supervisory board of NXP B.V. and a senior advisor of Kohlberg Kravis Roberts & Co. Prior to joining NXP, he was the President and CEO of Agere Systems, served as Chairman of u-Nav Microelectronics Corporation, and was executive vice president and chief financial officer at Quantum Corporation. Prior to that, Mr. Clemmer worked for Texas Instruments Incorporated as senior vice president and semiconductor group chief financial officer. Mr. Clemmer also serves on the boards of NCR Corporation and RMG Technologies Inc., a private start-up focused on network security.

- **Sir Peter Bonfield CBE FREng (1944, British).** Sir Peter has been appointed a non-executive director and the chairman of our board of directors in August 2010. Prior to that, Sir Peter was the chairman of the supervisory board of NXP B.V. from September 29, 2006. Sir Peter served as chief executive officer and chairman of the executive committee for British Telecom plc from 1996 to 2002 and prior to that was chairman and chief executive officer of ICL plc (now Fujitsu Services Holdings Ltd.). Sir Peter also worked in the semiconductor industry during his tenure as a divisional director at Texas Instruments Incorporated, for whom he held a variety of senior management positions around the world. Sir Peter currently holds a non-executive directorship at Taiwan Semiconductor Manufacturing Company Limited. Sir Peter is Chair of Council and Senior Pro-Chancellor at Loughborough University, Board Director at East West Institute USA and Board Mentor at CMi in Belgium. He is also Advisor to Longreach LLP in Hong Kong, Alix Partners UK LLP in London and The Hampton Group in London.
- **Johannes P. Huth (1960, German).** Mr. Huth has been appointed a non-executive director and vice-chairman of our board of directors in August 2010. Prior to that, Mr. Huth was a member and chairman of our supervisory board and a member and vice-chairman of NXP B.V.'s supervisory board from September 29, 2006. Mr. Huth joined Kohlberg Kravis Roberts & Co. LLP in May 1999 and is a Member of KKR and Head of KKR's operations in Europe, the Middle East and Africa. He is also a member of the Firm's senior management and several of the Firm's Investment Committees. Prior to joining KKR, he was a member of the Management Committee of Investcorp and jointly responsible for Investcorp's operations in Europe. From 1986 to 1991, he worked at Salomon Brothers, where he was a Vice President in the Mergers and Acquisitions departments in London and New York. Mr. Huth currently is also the chairman of Henslodt GmbH and a member of the Supervisory Board of GEG German Estate Group AG and member of the Board of SoftwareOne AG. He is Vice-Chair of the Board of Trustees of the Design Museum, trustee of the Staedel Museum in Frankfurt, trustee of The Education Endowment Foundation, and a member of the Global Advisory Board of the University of Chicago Booth School of Business. He is a Visiting Fellow of Oxford University and a Fellow of the Royal Society of Arts and member of the Conseil d'Administration of Les Arts Decoratifs in Paris. He earned a BSc with Highest Honors from the London School of Economics and an MBA from the University of Chicago.
- **Kenneth A. Goldman (1949, American).** Mr. Goldman has been appointed a non-executive director of our board of directors effective August 6, 2010. Mr. Goldman is former chief financial officer of Yahoo!, Inc. Prior to October 2012, Mr. Goldman served as senior vice president, finance and administration, and chief financial officer of Fortinet, Inc, a provider of unified threat management solutions, from September 2007 to September 2012. From November 2006 to August 2007, Mr. Goldman served as executive vice president and chief financial officer of Dexterra, Inc. From August 2000 until March 2006, Mr. Goldman served as senior vice president, finance and administration, and chief financial officer of Siebel Systems, Inc., and from December 1999 to December 2003, Mr. Goldman served on the Financial Accounting Standards Board's primary advisory group. Mr. Goldman currently serves on the board of directors of TriNet Group, Inc., GoPro, Inc., RingCentral, Inc., Zuora, Inc., and several private companies. Mr. Goldman also is a member of the Sustainability Accounting Standards Board (SASB) Foundation, and in 2015 was appointed to a three-year term on the Standards Advisory Group which advises the PCAOB. Mr. Goldman was a member of board of trustees of Cornell University from 2005 to 2013 and was designated as Emeritus Trustee. He was formerly a member of the Treasury Advisory Committee on the Auditing Profession, a public committee that made recommendations in September 2008 to encourage a more sustainable auditing profession. Mr. Goldman holds a B.S. in Electrical Engineering from Cornell University and an M.B.A. from the Harvard Business School.
- **Josef Kaeser (1957, German).** Mr. Kaeser has been appointed a non-executive director of our board of directors effective September 1, 2010. Mr. Kaeser is the president and chief executive officer of Siemens AG since August 2013. Prior to this, from May 2006 to August 2013, he was member of the managing board and chief financial officer of Siemens AG. From 2004 to 2006, Mr. Kaeser served as chief strategy officer for Siemens AG and as the chief financial officer for the mobile communications group from 2001 to 2004. Mr. Kaeser has additionally held various other positions within the Siemens group since he joined Siemens in 1980. Mr. Kaeser also serves on the managing board of Siemens AG and the board of directors of Siemens Ltd., India, Daimler AG and Allianz Deutschland AG.
- **Eric Meurice (1956, French).** Mr. Meurice has been appointed a non-executive director of the board of directors effective April 1, 2014. Mr. Meurice was the CEO and Chairman of the management board of ASML Holding NV, a leading provider of manufacturing equipment and technology to the semiconductor industry from 2004 to 2013. Under his watch, ASML became the largest Lithography vendor in the world, leading to a significant equity investment and funding commitment by its customers. Before joining ASML, he was Executive Vice President of Thomson Television, where he completed the merger of his division with TCL Corporation, one of the largest Chinese consumer electronics companies. Before 2001, he served as head of Dell Computers' Western, Eastern Europe and EMEA emerging market businesses. He gained extensive technology experience in the semiconductor industry between 1984 and 1994, first at Intel, in the micro-controller group, and then at ITT Semiconductors, a provider then of digital video and audio DSP integrated circuits. Mr. Meurice is a director of IPG Photonics, a US-based Laser supplier, since June 2014, of UMICORE, a Belgium based materials specialist, since April 2015, of Meyer Burger, a Swiss Solar cell manufacturing equipment supplier, since May 2018, and of SOITEC, a French based leader of Semiconductor materials, since July 2018. He served on the board of Verigy LTD (former HP test division), until its acquisition by Advantest in 2011. From July 1, 2013 to April 1, 2014 he was non-executive director of ARM Holdings plc (UK, semiconductor intellectual property supplier).

- **Peter Smitham (1942, British).** Mr. Smitham has been appointed a non-executive director of our board of directors effective December 7, 2015. Mr. Smitham retired from his position as a partner of the private equity firm Permira on December 31, 2009, but until August 1, 2015, he was a member of Permira Advisers LLP, which he joined in 1985, the year the London office was founded. Mr. Smitham was the managing partner of the London office from 1994 until 1998 and led Permira's European business from 1996 until 2000. He has worked on numerous transactions focusing on technology, including Memec Group Holdings Limited, The Roxboro Group, Solartron Group and Technology plc. Until its merger with NXP, Mr. Smitham was a director of Freescale; he joined the Freescale board in June 2007 and has been a member of the Compensation and Leadership Committee and the Nominating and Corporate Governance Committee of the Freescale board. He has a degree in Geography from Swansea University, Wales, and attended the Senior Executive Program at Stanford Business School.
- **Ms. Julie Southern (1959, British).** Ms. Southern has been appointed a non-executive director of our board of directors in October 2013. She was with Virgin Atlantic Limited (UK) from 2000 to May 2013. From 2010 to 2013 Ms. Southern was chief commercial officer and from 2000 to 2010 she was chief financial officer of Virgin Atlantic. Prior to joining Virgin Atlantic, she was group finance director at Porsche Cars Great Britain and finance and operations director at W H Smith – H J Chapman & Co Ltd. Prior to that, she was chartered accountant at Price Waterhouse Coopers. Ms. Southern currently holds non-executive directorships at Rentokil-Initial Plc, Cineworld PLC, DFS PLC and EasyJet plc, and is Chair of the respective Audit Committees. At the same time, Ms. Southern is a non-executive director and member of the Nomination Committee and Audit Committee of Ocado Group PLC.
- **Gregory L. Summe (1956, American).** Mr. Summe has been appointed a non-executive director of our board of directors effective December 7, 2015. Mr. Summe is the Managing Partner of Glen Capital Partners, a Boston based hedge fund, which he founded in 2014. Mr. Summe was the managing director and vice chairman of Global Buyout at The Carlyle Group, a leading global private equity firm, from 2009 to 2014. Prior to joining Carlyle, he was the chairman and chief executive officer of PerkinElmer, Inc., a global leader in Health Sciences, a company he led from 1998 to May 2009. He also served as a senior advisor to Goldman Sachs Capital Partners, from 2008 to 2009. He was a director of Freescale Semiconductor from 2010 until its merger with NXP in 2015 and served as Chairman of the Freescale board since 2014 and Chairman of the Compensation and Leadership Committee. Prior to PerkinElmer, Mr. Summe was with AlliedSignal, now Honeywell International, serving as the president of General Aviation Avionics, president of the Aerospace Engines Group and president of the Automotive Products Group. Before joining AlliedSignal, he was the general manager of Commercial Motors at General Electric and was a partner with the consulting firm of McKinsey & Company, Inc. Mr. Summe holds B.S. and M.S. degrees in electrical engineering from the University of Kentucky and the University of Cincinnati, and an M.B.A. with distinction from the Wharton School at the University of Pennsylvania. He is in the Engineering Hall of Distinction at the University of Kentucky. Mr. Summe also serves on the board of directors of the State Street Corporation, where he is the chairman of the Nomination & Governance and Strategy committees and two private companies, Ohana Biosciences, and Pella Corporation.

#### Management Team

Set forth below are the names, ages as of December 31, 2018, and positions of the executive officers who together with our chief executive officer, Mr. Clemmer, constitute our management team.

Name	Age	Position
Richard L. Clemmer	67	Executive director and chief executive officer
Kurt Sievers	49	President
Peter Kelly	61	Executive vice president and chief financial officer
Steve Owen	58	Executive vice president sales & marketing
David Reed	60	Executive vice president technology and operations
Keith Shull	67	Executive vice president and chief human resources officer
Jennifer Wuamett	53	Executive vice president and general counsel

- **Kurt Sievers (1969, German).** Mr. Sievers is president and member of the management team, overseeing all business lines. He has previously managed our High Performance Mixed Signal businesses focused on the automotive application markets and the automotive safety and comfort business line and served in various positions at Philips since 1995.
- **Peter Kelly (1957, American).** Mr. Kelly is executive vice president, chief financial officer and a member of the management team, focusing on Strategy, M&A, and the integration with Freescale. He joined NXP in March, 2011 and serves as NXP's chief financial officer. Mr. Kelly has over 30 years of applicable experience in the global technology industry and has extensive financial expertise having worked in financial management positions in several other companies, including as CFO of UGI Corp. and Agere Systems Inc. Mr. Kelly also serves on the board and is Chair of the Audit Committee of Plexus, Corp.

- **Steve Owen (1960, British).** Mr. Owen is executive vice president, global sales & marketing and member of the management team. He has extensive experience in developing business internationally and served in various marketing and sales leadership positions at NXP and Philips since 1998.
- **David Reed (1958, American).** Mr. Reed is executive vice president of Technology and Operations at NXP. He joined NXP in 2015, having served as general manager at Freescale until the merger with NXP. He has 30 years of extensive international experience with global execution of fabs, assembly/test, packaging, R&D, foundries and joint ventures for Analog, Automotive, Logic and Wireless customers. He joined Freescale Semiconductor in 2012 as Senior Vice President, Manufacturing Operations. Previously he was vice president and general manager at GLOBALFOUNDRIES. He began his career at Texas Instruments in 1984 where he held multiple overseas and leadership assignments.
- **Keith Shull (1951, American).** Mr. Shull is executive vice president and chief human resources officer for NXP. He joined NXP in 2015 and has over 35 years of experience, having led global HR organizations in a range of industries worldwide, including Arrow Electronics, Visteon and Walter Energy.
- **Jennifer Wuamett (1965, American).** Ms. Wuamett is executive vice president, general counsel, secretary of our board of directors and a member of the management team, and has served in this role since September 2018. Previously, Ms. Wuamett served as Senior Vice President and Deputy General Counsel at NXP. Prior to that, she was Freescale's Senior Vice President, General Counsel and Secretary and has served in various positions at Freescale and Motorola.

## ***B. Compensation***

In accordance with Dutch law, our stockholders have adopted a compensation policy for the board of directors. The remuneration of our non-executive directors is determined at the general meeting of shareholders and the remuneration of our executive directors is resolved upon by our board of directors, with due observance of our compensation policy. Our chief executive officer is our only executive director. The executive director does not participate in the discussions of our board of directors on his compensation, nor does the chief executive officer vote on such a matter. To the extent the stockholders at a future stockholder meeting do not adopt the proposal of the board, the board must prepare a new proposal. After adoption of a proposal, only subsequent amendments will require stockholder approval.

### ***Compensation Policy and Objectives***

The objective in establishing the compensation policies for our chief executive officer, the other members of our management team and other members of our leadership, is to provide a compensation package that is aligned with our strategic goals and that enables us to attract, motivate and retain highly qualified professionals who provide leadership for NXP's success in dynamic and competitive markets. NXP seeks to accomplish this goal in a way that rewards performance and is aligned with its shareholders' long-term interests. We believe that the best way to achieve this is by linking executive compensation to individual performance targets, on the one hand, and to NXP's performance, on the other hand. Our executive compensation package therefore includes a significant variable part, consisting of an annual cash incentive, shares and stock options. Executive performance targets are determined annually, at the beginning of the year, and assessed after the year once the financial performance of the year is known by, respectively, our nominating and compensation committee, our executive director or the other members of our management team. The compensation package for our board of directors, including our chief executive officer, the other members of our management team and our NXP leadership is benchmarked on a regular basis against other companies in the high-tech and semiconductors industry.

## Summary Compensation Table

The following table summarizes the total compensation paid to our chief executive officer and to each member of our board of directors, in each of the years presented. Any amounts that are paid to individuals in Euros are presented in U.S. dollars, where the average exchange rate for the year was used for conversion. In addition to this Form 20-F which is completed on the basis of U.S. GAAP and the SEC requirements for Form 20-F, NXP Semiconductors N.V. has statutory filing requirements in the Netherlands. As a result, NXP is also required to submit to its shareholders on an annual basis audited financial statements completed on the basis of International Financial Reporting Standards (IFRS). The table below provides information under both bases of accounting to enable the reader of our financial statements to have the holistic view of all compensation related information for these individuals under applicable requirements for NXP. Specific IFRS related disclosures have been indicated as such (11).

Name and Principal Position	Year	Base Salary and/or Directors Fees	Annual Incentive	Performance and Restricted Share Units	Stock Options	Grant Date Fair Value of Share and Option Awards	Cost of Share and Option Awards (IFRS)	Other Compensation	Pension Costs	Pension Allowances	Total Compensation	Total Costs (IFRS)
		(S)	(S) 1)	(#) 2)	(#) 3)	(S) 4)	(S) 5)	(S) 6)	(S)	(S) 7)	(S) 4)	(S) 5)
Richard L. Clemmer Executive director and chief executive officer	2018 <sup>9)</sup>	1,369,730	1,388,390	646,483	-	72,924,573	26,810,424	1,056,105	12,549	627,304	77,378,651	31,264,502
	2017 <sup>9)</sup>	1,291,625	774,006	136,364	-	15,902,770	13,791,056	947,065	19,414	584,841	19,519,721	17,408,007
	2016 <sup>9)</sup>	1,263,580	546,815	139,266	30,751	14,500,097	12,749,940	1,033,574	18,100	572,394	17,934,560	16,184,403
Sir Peter Bonfield Non-executive director and chairman of the board	2018	336,348	-	2,379	-	195,554	195,984	-	-	-	531,902	532,332
	2017	323,031	-	1,715	-	200,003	200,583	-	-	-	523,034	523,614
	2016	398,788	-	2,019	-	200,043	224,478	-	-	-	598,831	623,266
Johannes P. Huth Non-executive director and vice-chairman of the board	2018	97,000	-	2,379	-	195,554	195,984	-	-	-	292,554	292,984
	2017	97,000	-	1,715	-	200,003	200,583	-	-	-	297,003	297,583
	2016	94,500	-	2,019	-	200,043	224,478	-	-	-	294,543	318,978
Kenneth A. Goldman Non-executive director	2018	110,000	-	2,379	-	195,554	195,984	-	-	-	305,554	305,984
	2017	115,000	-	1,715	-	200,003	200,583	-	-	-	315,003	315,583
	2016	109,167	-	2,019	-	200,043	224,478	-	-	-	309,210	333,645
Dr. Marion Helmes <sup>8)</sup> Non-executive director	2018 <sup>10)</sup>	50,000	-	-	-	-	(36,165)	-	-	-	50,000	13,835
	2017	100,000	-	1,715	-	200,003	200,583	-	-	-	300,003	300,583
	2016	96,250	-	2,019	-	200,043	224,478	-	-	-	296,293	320,728
Josef Kaeser Non-executive director	2018	100,000	-	2,379	-	195,554	195,984	-	-	-	295,554	295,984
	2017	100,000	-	1,715	-	200,003	200,583	-	-	-	300,003	300,583
	2016	96,250	-	2,019	-	200,043	224,478	-	-	-	296,293	320,728
Ian Loring <sup>8)</sup> Non-executive director	2018 <sup>10)</sup>	42,500	-	-	-	-	(36,165)	-	-	-	42,500	6,335
	2017	85,000	-	1,715	-	200,003	200,583	-	-	-	285,003	285,583
	2016	85,000	-	2,019	-	200,043	224,478	-	-	-	285,043	309,478
Eric Meurice Non-executive director	2018	101,667	-	2,379	-	195,554	195,984	-	-	-	297,221	297,651
	2017	110,000	-	1,715	-	200,003	200,583	-	-	-	310,003	310,583
	2016	105,416	-	2,019	-	200,043	203,373	-	-	-	305,459	308,789
Peter Smitham Non-executive director	2018	101,334	-	2,379	-	195,554	195,984	-	-	-	296,888	297,318
	2017	97,000	-	1,715	-	200,003	200,583	-	-	-	297,003	297,583
	2016	94,500	-	2,019	-	200,043	35,624	-	-	-	294,543	130,124
Gregory L. Summe Non-executive director	2018	104,000	-	2,379	-	195,554	195,984	-	-	-	299,554	299,984
	2017	100,000	-	1,715	-	200,003	200,583	-	-	-	300,003	300,583
	2016	96,250	-	2,019	-	200,043	35,624	-	-	-	296,293	131,874
Julie Southem Non-executive director	2018	105,000	-	2,379	-	195,554	195,984	-	-	-	300,554	300,984
	2017	100,000	-	1,715	-	200,003	200,583	-	-	-	300,003	300,583
	2016	96,250	-	2,019	-	200,043	224,478	-	-	-	296,293	320,728
<b>Total</b>	2018	<b>2,517,579</b>	<b>1,388,390</b>			<b>74,489,005</b>	<b>28,305,966</b>	<b>1,056,105</b>	<b>12,549</b>	<b>627,304</b>	<b>80,090,932</b>	<b>33,907,893</b>
	2017	<b>2,518,656</b>	<b>774,006</b>			<b>17,902,800</b>	<b>15,796,886</b>	<b>947,065</b>	<b>19,414</b>	<b>584,841</b>	<b>22,746,782</b>	<b>20,640,868</b>
	2016	<b>2,535,951</b>	<b>546,815</b>			<b>16,500,527</b>	<b>14,595,907</b>	<b>1,033,574</b>	<b>18,100</b>	<b>572,394</b>	<b>21,207,361</b>	<b>19,302,741</b>

- 1) The annual incentive amount is related to the performance in the year reported, which is then paid to the individual in the subsequent year. See Part I, Item 6.B. *Compensation* for additional information regarding the incentive plan. The amounts reported are the amounts that have been accrued as annual incentive bonus for our chief executive officer for our performance in the respective years. The actual annual incentive amount for 2018 will be paid in 2019 based on achievement of the predetermined targets.
- 2) Represents the number of Performance and Restricted share units granted to the individual in the year reported. See Part I, Item 6.B. *Compensation* and note 8 Share-based Compensation to the Consolidated Financial Statements in Part III, Item 18. *Financial Statements* for additional information regarding our long-term incentive plans.
- 3) Represents the number of Stock Options granted to the individual in the year reported. See Part I, Item 6.B. *Compensation* and note 8 Share-based Compensation, to the Consolidated Financial Statements in Part III, Item 18. *Financial Statements* for additional information regarding our long-term incentive plans.

- 4) Amounts reflect the aggregate grant date fair value of Performance and Restricted share units and Stock Option awards granted in accordance with FASB ASC Topic 718. These amounts do not represent the actual amounts paid to or realized by the individuals in the year reported. See note 8 Share-based Compensation to the Consolidated Financial Statements in Part III, Item 18. *Financial Statements* for additional information.
- 5) Amounts reflect the costs of Performance and Restricted share units and Stock Options in accordance with IFRS 2. These amounts do not represent the actual amounts paid to or realized by the individuals in the year reported, but represent amounts charged to the income of the year. Total costs (IFRS) includes this item, not the grant date fair value of the awards.
- 6) Amounts primarily relate to additional arrangements for our CEO such as housing compensation, relocation allowances, medical insurance, accident insurance, company car arrangements, each broadly in line with those for the NXP executives globally, as well as executive protection and residential security.
- 7) Due to legislative changes in the Netherlands, effective January 1, 2015 a new pension arrangement applies to our chief executive officer (as to other employees working under a Dutch employment contract). Refer to below explanation under the heading Pensions.
- 8) Dr. Marion Helmes' and Mr. Ian Loring's director term expired at the annual meeting of shareholders on June 22, 2018, and both did not stand for re-election to the board of directors.
- 9) In 2018, Mr. Clemmer received no performance share units that had financial performance conditions, 452,538 performance share units that had market performance conditions and 193,945 restricted share units.  
In 2017, Mr. Clemmer received no performance share units that had financial performance conditions or market performance conditions and 136,364 restricted share units.  
In 2016, Mr. Clemmer received 13,105 performance share units that had financial performance conditions, no performance share units that had market performance conditions and 126,161 restricted share units.
- 10) As a result of not standing for re-election by Dr. Helmes and Mr. Loring as noted in note 8, 1,715 awards for Dr. Helmes and for Mr. Loring, respectively, were forfeited resulting in a reversal of the related costs in accordance with IFRS2.
- 11) During 2016, NXP decided to expand its disclosures of compensation information, specifically in the areas of the cost for compensation charged to the income statement (IFRS), including Performance and Restricted Share Units and Stock Options, for our chief executive officer and the other members of our board of directors. In connection with the disclosure requirements of IAS 24 paragraph 17, we consider the board of directors as our key management personnel.

### **Base Salary**

As of September 1, 2018, we pay our chief executive officer an annual base salary of €1,200,000, the chairman of our board of directors an annual fixed fee of €275,000 and the other members of our board of directors an annual fixed fee of \$85,000 gross. Members of our Audit Committee receive an additional annual fixed fee of \$15,000 gross and the chairman receives an additional annual fixed fee of \$15,000; members of our Nominating & Compensation Committee receive an additional annual fixed fee of \$12,000 gross and the chairman receives an additional annual fixed fee of \$13,000. For the year ended December 31, 2018, the current and former members of our management team as a group (in total 11 members) received a total aggregate Base salary of €4,729,989, compared to a total aggregate Base salary of €5,320,294 (in total 12 members) in 2017 and €5,889,544 (in total 12 members) in 2016.

### **Annual Incentive**

Each year, our chief executive officer, the other members of our management team and our other executives can qualify to earn a variable cash incentive, subject to whether certain specific and challenging performance targets have been met. For our chief executive officer, the on-target cash incentive percentage is set at 150% of the base salary as of September 1, 2018. The cash incentive pay-out in any year relates to the achievements of the preceding financial year in relation to agreed targets.

To support the performance culture, the Annual Incentive plan 2018 is based on EBIT at group level and business / support level, as well as revenue targets; as of 2019, the Annual Incentive Plan will be based on revenue and market share targets, as well as on gross margin. Any targets are set by the board of directors, at the proposal of its nominating & compensation committee. Because 2018 has been such an unusual year with so many changes, the board of directors' nominating and compensation committee has decided that the Annual Incentive plan 2018 for the first half year will be paid out at on target percentage.

Over the year 2018, our chief executive officer realized a target achievement of 65.4% and thus an amount of €1,177,200 has been accrued as an annual incentive bonus for our chief executive officer for our performance in 2018. Over the year 2017, our chief executive officer realized a target achievement of 79.9%, and thus an amount of €684,344 was accrued in 2017 (paid in 2018) as an annual incentive bonus for our performance in 2017 (over the year 2016, the target achievement was 57.7%, and thus an amount of €494,201 was accrued in 2016 (paid in 2017)). The total annual incentive bonus amount accrued in 2018 and to be paid in 2019 to members of our management team, including our chief executive officer, is €3,645,251. The amount of annual incentive bonus for the 2017 performance period and 2016 performance period paid to members of our management team, including our chief executive officer, was €3,425,733 and €2,443,300, respectively.

### *Share Based Compensation Plans*

The purpose of our share based compensation plans, is to align the interests of directors and management with those of our stockholders by providing additional incentives to improve our medium and long term performance, by offering the participants an opportunity to share in the success of NXP.

Since 2010, we have maintained annual Long Term Incentive Plans, under which performance stock, restricted stock and stock options may be granted to the members of our board of directors, management team, our other executives, selected other key employees/talents of NXP and selected new hires. Under these Long Term Incentive Plans, equity incentives may be granted on, or the first Nasdaq trading day after NXP publishes its quarterly financials. In view of the merger with Freescale, a specific grant under the 2015 plan was made to Freescale employees who joined NXP on December 7, 2015. Performance stock units and restricted stock units vest over a period of one to four years, subject to relevant performance criteria being met in the case of performance stock units, and stock options vest over four years. Beginning with the 2014 LTIP plans, restrictive stock units granted to the non-executive directors in our board vest over a period of one year. In view of the previously announced tender offer by Qualcomm to acquire all the issued and outstanding NXP shares, in October 2016, the board of directors, advised by its nominating & compensation committee, resolved to only grant restricted stock units under the 2016 Long term Incentive Plan. The same decision was taken on the 2017 Long term Incentive Plan. As of July 26, 2018, we granted performance stock units ("PSU's") awards with a performance measure of Relative Total Shareholder Return ("Relative TSR"). Each PSU, which cliff vests on the third anniversary of the date of grant, entitles the grant recipient to receive from 0 to 2 common shares for each of the target units awarded based on the Relative TSR of the Company's share price as compared to a set of peer companies. In addition to the PSU's, we also granted restricted stock units as of July 26, 2018. Awards granted generally will become fully vested upon a termination event occurring within one year following a change in control, as defined. A termination event is defined as either termination of employment or services other than for cause or constructive termination of resulting from a significant reduction in either the nature or scope of duties and responsibilities, a reduction in compensation or a required relocation.

The size of the annual equity pool available for Long Term Incentive Plan 2010 awards from November 2, 2010 up to the fourth quarter of 2011 was for an aggregate of up to 7,200,000 common shares in our share capital. On December 31, 2018, grants to 30 participants were outstanding, in total representing some 51,440 shares of common stock, consisting of 51,440 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2011 awards from November 1, 2011 up to the fourth quarter of 2012 was for an aggregate of up to 8.6 million (including 1.4 million which remained from the 2010 LTIP pool) common shares in our share capital. On December 31, 2018, grants to 63 participants were outstanding, in total representing 184,882 shares of common stock, consisting of 184,882 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2012 awards from October 25, 2012 up to the fourth quarter of 2013 was for an aggregate of up to 9.3 million (including 2.1 million which remained from the 2011 LTIP pool) common shares in our share capital. On December 31, 2018, grants to 117 participants were outstanding, in total representing 252,199 shares of common stock, consisting of 252,199 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2013 awards from October 24, 2013 up to the fourth quarter of 2014 is for an aggregate of up to 6.7 million (including 0.4 million which remained from the 2012 LTIP pool) common shares in our share capital. On December 31, 2018, grants to 24 participants were outstanding, in total representing 179,993 shares of common stock, consisting of 179,993 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2014 awards from October 23, 2014 up to the fourth quarter of 2015 is for an aggregate of up to 7.5 million (including 2.2 million which remained from the 2013 LTIP pool) common share in our share capital. On December 31, 2018 grants to 94 participants were outstanding, in total representing 375,019 shares of common stock, consisting of 72,483 restricted stock units and 302,536 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2015 awards from October 29, 2015 up to the fourth quarter of 2016 is for an aggregate of up to 5.2 million (including 4.2 million which remained from the 2014 LTIP pool) common share in our share capital. On December 31, 2018 grants to 298 participants were outstanding, in total representing 941,560 shares of common stock, consisting of 222,496 performance stock units, 38,081 restricted stock units and 680,983 stock options.

In view of the Merger, NXP exchanged on December 7, 2015 the outstanding Freescale equity into 4,924,043 restricted stock units and 2,871,861 stock options. On December 31, 2018 grants to 2,479 participants were outstanding, in total representing 767,394 shares of common stock, consisting of 315,339 restricted stock units and 452,055 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2016 awards from October 27, 2016 up to the fourth quarter of 2017 is for an aggregate of up to 5.6 million (including 4.3 million which remained from the 2015 LTIP pool) common share in our share capital. On December 31, 2018 grants to 5,746 participants were outstanding, in total representing 934,882 shares of common stock, consisting of 934,882 restricted stock units. In light of the announced tender offer by Qualcomm on all the NXP shares, only restricted stock units were granted under the 2016 Long term Incentive Plan.

The size of the annual equity pool available for Long Term Incentive Plan 2017 awards from October 26, 2017 up to the fourth quarter of 2018, is for an aggregate of up to 4.0 million (including 2.7 million which remained from the 2016 LTIP pool) common share in our share capital. On December 31, 2018 grants to 8,098 participants were outstanding, in total representing 1,674,217 shares of common stock, consisting of 1,674,217 restricted stock units. In light of the announced tender offer by Qualcomm on all the NXP shares, only restricted stock units were granted under the 2017 Long term Incentive Plan.

In conversations around the termination of the Purchase Agreement with Qualcomm, in July 2018, the board of directors determined that business circumstances warranted a modified approach regarding the 2018 Long Term Incentive Plan in addition to the cash bonus arrangements for all employees. In this respect, it was resolved that a group of 200 NXP top managers participated in a larger than normal annual long term incentive plan consisting of performance stock units and restricted stock units, granted on July 26, 2018. The performance stock units have a three year cliff vesting, and the restricted stock units have a three year ratable vesting. The performance period of the performance stock units runs from July 26, 2018 through July 25, 2021. The size of the annual equity pool available for Long Term Incentive Plan 2018 awards from July 26, 2018 up to the fourth quarter of 2019 is for an aggregate of up to 7.5 million (including 1.4 million which remained from the 2017 LTIP pool) common share in our share capital. On December 31, 2018 grants to 9,506 participants were outstanding, in total representing 4,955,548 shares of common stock, consisting of 1,478,986 performance stock units and 3,476,562 restricted stock units.

As of December 31, 2018, under the above equity plans, a total amount of 2,104,088 stock options, 1,701,482 performance stock units and 6,511,564 restricted stock units were outstanding, in total representing 10,317,134 shares of common stock.

Shares to be delivered under any equity program may be newly issued, for up to 10% of our share capital, or they may come out of treasury stock or be purchased from time to time upon the decision of our board of directors.

As of December 31, 2018, the following stock options, restricted stock units, performance stock units and shares of common stock were outstanding with members of our board of directors:

#### Richard L. Clemmer, CEO

As of December 31, 2018, our chief executive officer held 776,213 shares of common stock and had been granted the following unvested stock options, restricted stock units and performance stock units, which were outstanding:

Series	<u>Number of Stock Options</u>	<u>Exercise Price (in \$)</u>	<u>Stock Options Exercisable</u>	<u>Number of Stock Options per vesting schedule 10/29/19</u>
2016/February	15,376	76.31	7,688	7,688

Series	<u>Number of Stock Options</u>	<u>Exercise Price (in \$)</u>	<u>Stock Options Exercisable</u>	<u>Number of Stock Options per vesting schedule 10/29/19</u>
2015/October	82,939	73.00	41,469	41,470

Series	<u>Number of Stock Options</u>	<u>Exercise Price (in \$)</u>	<u>Stock Options Exercisable</u>
2014/October	40,419	64.18	40,419

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Restricted Stock Units per vesting schedule</u>		
		<u>07/26/19</u>	<u>07/26/20</u>	<u>07/26/21</u>
2018/July	193,945	64,648	64,648	64,649

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Restricted Stock Units per vesting schedule</u>	
		<u>10/26/19</u>	<u>10/26/20</u>
2017/October	90,910	45,455	45,455

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Restricted Stock Units per vesting schedule</u>
		<u>10/27/19</u>
2016/October	42,054	42,054



Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule	
		Maximum 200% pay-out 07/29/21	
2018/July	452,538	905,076	

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule	
		10/29/19	10/29/20
		2016/February	13,105

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule	
		10/23/19	10/23/20
		2015/October	71,918

#### Other members of our board of directors

As of December 31, 2018, the other members of our board of directors held the following number of shares of common stock:

Sir Peter Bonfield: 34,404 from vested stock units

Mr. Goldman: 21,323 from vested stock units

Mr. Huth: 14,669 from vested stock units

Mr. Kaeser: 36,290 from vested stock units

Mr. Meurice: 7,650 from vested stock units

Mr. Smitham: 2,375 from vested stock units

Ms. Southern: 9,315 from vested stock units

Mr. Summe: 10,070 from vested stock units and acquisitions in the open market

To each of the non-executive members of our board of directors, the following restricted stock units had been granted and were outstanding as of December 31, 2018:

Series	Number of Restricted Stock Units	Number of Stock Units per vesting schedule
		11/01/19
2018/November	2,379	2,379

#### Pensions

It has been our long-standing practice that our chief executive officer and eligible members of the management team under a Dutch employment contract participate in the executives' pension plan, which we established in the Netherlands and which consisted of a combination of a career average and a defined-contribution plan. Since January 1, 2015, pension plans which allow pension accrual based on a pensionable salary exceeding an amount of €100,000 (threshold is adapted by the fiscal authorities each year, 2018: €105,075) are, for fiscal purposes, considered to be non-qualifying schemes.

The following pension arrangement is in place for our chief executive officer, and members of the management team and other executives under Dutch contract with effect from January 1, 2015:

- Pension Plan in the Netherlands, which is a Collective Defined Contribution plan with an age-dependent fixed contribution percentage up to a maximum pensionable salary of €100,000 (2018: €105,075). The Pension Plan has a target retirement age of 68 and a target accrual rate of 1.85%;
- Introduction of a Benefit Allowance of 12.3% of the pensionable salary above €105,075 (2018) for all current and new employees;
- Compensation of remaining loss in pension accrual, compared to 2014, as an individual Retirement allowance; and

- Individual compensation (Retirement allowance) will be protected for 5 years (up to end 2019) and then reduced to 75%, 50%, 25% in the following 3 years (2020-2021-2022). No individual compensation after year 8 (January 2023 onwards).

The total pension cost of the Company related to these revised pension arrangements (including the temporary Retirement Allowance for the remaining 7 years) is at a comparable level over a period of time to the pension cost under the former Executive Pension Plan.

In 2018, we paid for our chief executive officer a total pension plan contribution of €10,640 (\$12,549) (€17,165 (\$19,414) in 2017 and €16,358 (\$18,100) in 2016) and an aggregated amount of €531,863 (\$627,304) as Retirement Allowance and individual Allowance in 2018 (€517,092 (\$584,841) in 2017).

### **C. Board Practices**

#### **Management Structure**

We have a one-tier board structure, consisting of an executive director and non-executive directors.

#### **Powers, Composition and Function**

The board of directors consists of one executive director and eight non-executive directors. The number of executive and non-executive directors is determined by the board of directors and our directors are appointed for one year and are re-electable each year at the general meeting of stockholders. The executive director, Mr. Clemmer, has been appointed as our chief executive officer.

The appointment of the directors will be made by our general meeting of stockholders upon a binding nomination of the board of directors. A resolution to appoint a director nominated by the board of directors is adopted by a simple majority of the votes cast. The nomination shall state whether the director is proposed to be an executive or non-executive director. The general meeting of stockholders may at all times overrule the binding nature of such a nomination by a resolution adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital. The board of directors may then make a new nomination. If a nomination has not been made or has not been made in due time, this shall be stated in the notice and the general meeting of stockholders shall be free to appoint a director at its discretion. The latter resolution of the general meeting of stockholders must also be adopted by at least two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital.

Under our articles of association and Dutch corporate law, the members of the board of directors are collectively responsible for the management, general and financial affairs and policy and strategy of our company. Our executive director will be responsible for the day-to-day management of the Company and for the preparation and execution of board resolutions, to the extent these tasks are not delegated to a committee of the board of directors. Our chief executive officer or all directors acting jointly may represent our company with third parties.

A conflict of interest between the Company and one or more of our directors is not expected to have any impact on the authority of directors to represent the Company. Under our board regulations, a conflict needs to be reported to the board of directors and the board of directors shall resolve on the consequences, if any. Dutch law, in case of a conflict, does not allow the directors concerned to participate in discussions or vote on such matters.

Our non-executive directors will supervise the executive director and our general affairs and provide general advice to the executive director. Furthermore the non-executive directors will perform such acts that are delegated to them pursuant to our articles of association or by our board regulation. One of the non-executive directors has been appointed as chairman of the board and another non-executive director has been appointed as vice-chairman of the board of directors.

Each director owes a duty to us to properly perform the duties assigned to him and to act in the corporate interest of our company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as stockholders, creditors, employees, customers and suppliers.

The members of our board of directors may be suspended or dismissed at any time by the general meeting of stockholders. A resolution to suspend or dismiss a director will have to be adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital and unless the proposal to suspend or dismiss a member of the board of directors is made by the board of directors itself, in which case resolutions shall be adopted by a simple majority of votes cast. Dutch law facilitates the suspension of executive directors by the board.

In the event that one or more directors are prevented from acting or in the case of a vacancy or vacancies for one or more directors, the board of directors remains properly constituted. The board of directors is expected to have the power, without prejudice to its responsibility, to cause our company to be represented by one or more attorneys. These attorneys shall have such powers as shall be assigned to them on or after their appointment and in conformity with our articles of association, by the board of directors.

The board of directors has adopted board regulations governing its performance, its decision making, its composition, the tasks and working procedure of the committees and other matters relating to the board of directors, the chief executive officer, the non-executive directors and the committees established by the board of directors. In accordance with our board regulations, resolutions of our board of directors will be adopted by a simple majority of votes cast in a meeting at which at least the majority of its members is present or represented. Each member of the board of directors has the right to cast one vote. In a tie vote, the proposal will be rejected.

### **Additional Arrangements**

Our chief executive officer has a contract of employment the term of which is linked to his board membership which expires the next annual general meeting of stockholders. Most of the other members of our management team and our executives have a contract of employment for an indefinite term. The main elements of any new employment contract that we will enter into with a member of the board of directors will be made public no later than the date of the public notice convening the general meeting of stockholders at which the appointment of such member of the board of directors will be proposed. Non-executive directors of our board do not have a contract of employment.

In addition to the main conditions of employment, a number of additional arrangements apply to our chief executive officer and other members of the management team; these arrangements do not apply to the non-executive members of our board of directors. These additional arrangements, such as housing compensation and relocation allowances, medical insurance, accident insurance, company car arrangements, are broadly in line with those for the NXP executives globally. In the event of disablement, our chief executive officer and other members of the management team are entitled to benefits in line with those for other NXP executives. In the event of our chief executive officer's death while in the service of NXP, any unvested equity awards (including any NXP stock options, performance stock units and restricted stock units) will vest. In line with regulatory requirements, the Company's policy forbids personal loans, guarantees or similar arrangements to members of our board, and consequently no loans, guarantees or similar arrangements were granted to such members since 2010, nor were any such loans outstanding as of December 31, 2018. The contract of employment entered into with our chief executive officer as of January 1, 2009, the terms of which have been extended from time to time, latest on September 1, 2018, provides that if our chief executive officer terminates his employment within six months of a change of control, then he will be entitled to two years' base salary (gross) plus twice the amount of his target annual bonus (gross).

Unless the law provides otherwise, the members of our board of directors are expected to be reimbursed by us for various costs and expenses, such as reasonable costs of defending claims, as formalized in the articles of association. Under certain circumstances, described in the articles of association, such as an act or failure to act by a member of our board of directors that can be characterized as intentional (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*), there will be no entitlement to this reimbursement.

### **Board Committees**

While retaining overall responsibility, our board of directors has assigned certain of its tasks to permanent committees. Members of the permanent committees will be appointed by the board of directors. The board of directors will also determine the tasks of each committee. Our board of directors has established an audit committee and a nominating and compensation committee, each of which will have the responsibilities and composition described below:

- **Audit Committee.** As of the 2018 annual general meeting of shareholders, our audit committee consists of four independent non-executive directors, Ms. Southern, Messrs. Goldman, Kaeser and Summe; all four members are independent directors under the Dutch corporate governance rules and under the Nasdaq and SEC audit committee structure and membership requirements. Ms. Southern, who was appointed as chairman of the audit committee on September 1, 2018, succeeding Mr. Goldman, qualifies as an "audit committee financial expert" as such term is defined in Item 16.A. *Audit Committee Financial Expert* and as determined by our board of directors. Our audit committee assists the board of directors in supervising, monitoring and advising the board of directors on financial reporting, risk management, compliance with relevant legislation and regulations and our Code of Conduct (the "Code"). It oversees the preparation of our financial statements, our financial reporting process, our system of internal business controls and risk management, our internal and external audit process and our internal and external auditor's qualifications, independence and performance. Our audit committee also reviews our annual and interim financial statements and other public disclosures, prior to publication. On a quarterly basis, the non-executive directors who are part of the audit committee reports their findings to the plenary board of directors. Our audit committee also recommends to our stockholders the appointment of external auditors. The external auditor attends most meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings.
- **Nominating and Compensation Committee.** Our nominating and compensation committee consists of four non-executive directors, Sir Peter Bonfield and Messrs. Huth, Smitham and Summe. All four members are independent directors under the Dutch corporate governance rules and under the Nasdaq and SEC compensation committee structure and membership requirements. Mr. Smitham was appointed as chairman of this committee on September 1, 2018, succeeding Mr. Meurice. The nominating & compensation committee determines selection criteria and appointment procedures for members of our board of directors, periodically assesses the scope and composition of our board of directors and evaluates the performance of its individual members. It is responsible for recommending to the board of directors the compensation package for our executive directors, with due observance of the remuneration policy adopted by the general meeting of stockholders. It reviews employment contracts entered into with our executive directors, makes recommendations to our board of directors with respect to major employment-related policies and oversees compliance with our employment and compensation-related disclosure obligations under applicable laws.

### **Limitation of Liability and Indemnification Matters**

Unless prohibited by law in a particular circumstance, our articles of association require us to reimburse the members of the board of directors and the former members of the board of directors for damages and various costs and expenses related to claims brought against them in connection with the exercise of their duties. However, there shall be no entitlement to reimbursement if and to the extent that (i) a Dutch court has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterized as willful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness, or (ii) the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss. We may enter into indemnification agreements with the members of the board of directors and our officers to provide for further details on these matters. We have purchased directors' and officers' liability insurance for the members of the board of directors and certain other officers, substantially in line with that purchased by similarly situated companies.

At present, there is no pending litigation or proceeding involving any member of the board of directors, officer, employee or agent where indemnification will be required or permitted. We are not aware of any threatened litigation or proceedings that might result in a claim for such indemnification.

### **D. Employees**

As of December 31, 2018 we had 30,000 full-time equivalent employees. The following table indicates the % of full-time equivalent employees per geographic area:

	% as of December 31,	
	2018	2017
Europe and Africa	20	20
Americas	20	20
Greater China	25	24
Asia Pacific	35	36
Total	100	100

We have not experienced any material strikes or labor disputes in the past. A number of our employees are members of a labor union. In various countries, local law requires us to inform and consult with employee representatives on matters relating to labor conditions. We consider our employee relations to be good.

### **E. Share Ownership**

Information with respect to share ownership of members of our board of directors is included in Part I, Item 6B. *Directors, Senior Management and Employees - Compensation*. Information with respect to the grant of shares and stock options to employees is included in note 8 to our Consolidated Financial Statements which are incorporated herein by reference. In order to maintain a strong alignment between the interests of NXP's management and our shareholders, we have adopted an equity ownership policy for the President/CEO and the other members of our management team. The number of shares to be maintained by the members of our management team increases each time our shares are being delivered upon the vesting of stock options or other rights to our shares. The management team members are required to maintain a certain number of our shares until the time that he or she is no longer employed by us.

## Item 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

The following table shows the amount and percentage of our common stock beneficially owned as of December 31, 2018, December 31, 2017 and December 31, 2016 by each person who is or was known by us to own beneficially more than 5% of our common stock.

	Common Stock Beneficially Owned as of December 31					
	2018		2017		2016	
	Number	%*	Number	%*	Number	%*
T. Rowe (1)	24,537,803	7.47	-	-	32,862,425	9.50
BlackRock, Inc. (2)	20,587,515	6.26	19,595,928	5.66	-	-
Elliott Associates L/P.	-	-	16,437,756	4.75	-	-

\* Percentage computations are based on 328,702,719 shares of our common stock issued and outstanding as of December 31, 2018, 346,002,862 shares of our common stock issued and outstanding as of December 31, 2017 and December 31, 2016.

- (1) Information about the number of common shares owned by T. Rowe Price Associates, Inc. (“T. Rowe”) on December 31, 2018, is based solely on a Schedule 13G filed by T. Rowe with the SEC on February 14, 2019. T. Rowe’s address is 100 E. Pratt Street, Baltimore, Maryland 21202. T. Rowe beneficially owned an aggregate of 24,537,803 common shares, has sole power to vote 9,341,218 shares and the sole power to dispose of 24,537,803 shares of our common stock.
- (2) Information about the number of common shares owned by BlackRock, Inc. (“Blackrock”) on December 31, 2018, is based solely on a Schedule 13G/A filed by Blackrock with the SEC on February 11, 2019. Blackrock’s address is 55 East 52nd Street, New York, NY 10055. Blackrock beneficially owned an aggregate of 24,537,803 common shares, has sole power to vote 9,341,218 shares and the sole power to dispose of 24,537,803 shares of our common stock.

No shareholders held different voting rights.

### B. Related Party Transactions

The transactions NXP has with related parties are not deemed to be material, individually or in the aggregate. See Part III, Item 18. *Financial Statements*, note 19 *Related-party Transactions*.

### C. Interests of Experts and Counsel

Not applicable.

## Item 8. Financial Information

### A. Consolidated Statements and Other Financial Information

#### Consolidated Statements

See Part III, Item 18. *Financial Statements*.

#### Dividend Policy

Pursuant to the Company’s articles of association, our board of directors may resolve to reserve profits or make interim distributions to shareholders. If the board decides not to allocate profits to our reserves (making such profits available to be distributed as dividends), any decision to pay dividends on our common stock will be at the discretion of our stockholders. Distributions can only be made if the Company’s shareholders’ equity exceeds the sum of the paid-up and called-up part of the capital and the reserves which must be maintained by law. For interim distributions, this should be evidenced by an interim statement of assets and liabilities, which has been drawn up in accordance with the statutory requirements. Making use of its statutory authorization, our board of directors has approved a Quarterly Dividend Program that was introduced on September 11, 2018, under which NXP will pay a regular quarterly cash dividend. Additional future dividend payments will depend on factors such as our earnings levels, capital requirements, contractual restrictions, cash position, overall financial condition and any other factors deemed relevant by our board of directors.

### B. Significant Changes

Not applicable.

## Item 9. The Offer and Listing

### A. Offer and Listing Details

The shares of common stock of the Company are listed on the stock market of Nasdaq in New York under the ticker symbol “NXPI”.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

See Part I, Item 9.A. *Offer and Listing Details*.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**Item 10. Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

The information required by this section is incorporated by reference to Exhibit 3.2 of Amendment No. 7 to the Company's Registration Statement on Form F-1, filed on August 2, 2010 (File No. 333-166128).

**C. Material Contracts**

Other than the material contracts described below, we have not entered into any material contracts other than in the ordinary course of business.

**2018**

See Part I, Item 4. *Business Combinations* for a description of the Purchase Agreement between NXP and Buyer, a wholly-owned, indirect subsidiary of Qualcomm, subsequent amendments to the Purchase Agreement and the termination of the Purchase Agreement.

See Part I, Item 5.B. *Liquidity and Capital Resources – 2018 Financing Activities* for a description of the \$1 billion senior unsecured bridge term credit facility agreement, the \$1 billion of 4.875% Senior Unsecured Notes due 2024, the \$500 million of 5.35% Senior Unsecured Notes due 2026 and the \$500 million of 5.55% Senior Unsecured Notes due 2028.

**2017**

See Part I, Item 4. *Business Combinations* for a description of the terminated Purchase Agreement with Buyer, a wholly-owned, indirect subsidiary of Qualcomm and tender offer commenced by Buyer to acquire all of our issued and outstanding common shares for a revised offer price of \$127.50 per share, less any applicable withholding taxes and without interest to the holders thereof, payable in cash, for estimated total cash consideration of \$44 billion. The Purchase Agreement restricted NXP from engaging in certain actions outside the ordinary course of business without Buyer's approval.

**2016**

See Part I, Item 5.B. *Liquidity and Capital Resources – 2016 Financing Activities* for a description of the 2021 and 2023 Senior Unsecured Notes.

See Part I, Item 3. *Key Information* for a description of our divestment of the SP business.

On June 13, 2016, we entered into amendments to the Shareholder Agreements with certain former Freescale shareholders (the "Sponsors") to amend the transfer restrictions for the Sponsors in relation to NXP shares received in the Merger.

See Part I, Item 5.B. *Liquidity and Capital Resources – 2016 Financing Activities* for a description of the 2022 Senior Unsecured Notes.

See Part I, Item 5.B. *Liquidity and Capital Resources – 2016 Financing Activities* for a description of the 2020 Term Loan.

## **D. Exchange Controls**

Cash dividends payable on our ordinary shares and cash interest payments to holders of our debt securities may be remitted from the Netherlands to nonresidents without legal restrictions imposed by the laws of the Netherlands, except that (i) such payments must be reported to the Dutch Central Bank for statistical purposes only and (ii) the transfer of funds to jurisdictions subject to general economic sanctions adopted in connection with policies of the United Nations, European Commission or similar measures imposed directly by the Government of the Netherlands may be restricted.

## **E. Taxation**

### **Certain Tax Considerations-Holder of Common Stock**

#### **Summary of Dutch Tax Considerations**

The following summary describes the material Dutch tax consequences of the ownership and disposition of our shares of common stock as of the date hereof and is intended as general information only. This summary does not contain a detailed description of all the Dutch tax law consequences applicable to you as a holder of shares of common stock in the Company in light of your particular circumstances and does not address the effects of any non-Dutch tax laws. For Dutch tax purposes, a holder of our shares may include an individual who or an entity that does not have the legal title of the shares, but to whom nevertheless the shares are attributed based either on such individual or entity holding a beneficial interest in the shares or based on specific statutory provisions, including statutory provisions pursuant to which shares are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the shares.

If you are considering the purchase, ownership or disposition of our shares, you should consult your own tax advisors concerning the Dutch tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. For the purpose of this paragraph, “Dutch taxes” means taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. The Netherlands means the part of the Kingdom of the Netherlands located in Europe and does not include Bonaire, St. Eustatius and Saba. Any reference made to a treaty for the avoidance of double taxation concluded by the Netherlands includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), the Tax Regulation for the country of the Netherlands (*Belastingregeling voor het land Nederland*), the Tax Regulation the Netherlands Curaçao (*Belastingregeling Nederland Curaçao*), the Tax Regulation the Netherlands Saint Martin (*Belastingregeling Nederland Sint Maarten*) and the Agreement between the Taipei Representative Office in the Netherlands and the Netherlands Trade and Investment Office in Taipei for the avoidance of double taxation.

#### **Withholding Tax**

A stockholder is generally subject to Dutch dividend withholding tax at a rate of 15 percent on dividends distributed by us, if any. Generally, we are responsible for the withholding of such dividend withholding tax at source; the dividend withholding tax is for the account of the stockholder.

Dividends distributed by us include, but are not limited to:

- distributions of profits in cash or in kind, whatever they be named or in whatever form;
- proceeds from the liquidation of the Company, or proceeds from the repurchase of shares by the Company, in excess of the average paid-in capital recognized for Dutch dividend withholding tax purposes;
- the par value of shares issued to a stockholder or an increase in the par value of shares, to the extent that no contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of paid-in capital, that is (i) not recognized for Dutch dividend withholding tax purposes, or (ii) recognized for Dutch dividend withholding tax purposes, to the extent that we have net profits (*zuivere winst*), unless (a) the general meeting of stockholders has resolved in advance to make such repayment and (b) the par value of the shares concerned has been reduced with an equal amount by way of an amendment to our articles of association. The term net profits includes anticipated profits that have yet to be realized.

Notwithstanding the above, no withholding is required in the event of a repurchase of shares, if certain conditions are fulfilled.

Furthermore, subject to certain exceptions under Dutch domestic law, we may not be required to transfer to the Dutch tax authorities the full amount of Dutch dividend withholding tax withheld in respect of dividends distributed by us, if we have received a profit distribution from a qualifying foreign subsidiary (including a subsidiary resident on Bonaire, St. Eustatius or Saba), which distribution is exempt from Dutch corporate income tax and has been subject to a foreign withholding tax of at least 5 percent. The amount that does not have to be transferred to the Dutch tax authorities can generally not exceed the lesser of (i) 3 percent of the dividends distributed by us and (ii) 3 percent of the profit distributions that we received from qualifying foreign subsidiaries in the calendar year in which we distribute the dividends (up to the moment of such dividend distribution) and in the two previous calendar years. Further limitations and conditions apply. We will, upon request, provide stockholders with information regarding the Dutch dividend withholding tax that was retained by us.

If a stockholder is resident in a country other than the Netherlands under the provisions of a treaty for the avoidance of double taxation between the Netherlands and such country, such stockholder may, depending on the terms of such treaty, be entitled to an exemption from, reduction in or refund of Dutch dividend withholding tax on dividends distributed by us.

If a stockholder is subject to Dutch corporate income tax and is entitled to the participation exemption in relation to the benefits derived from the shares held by it and such shares are attributable to an enterprise carried out in the Netherlands, such stockholder will generally be entitled to an exemption from Dutch dividend withholding tax on dividends distributed by us.

If a stockholder is resident (i) in an EU member state, or (ii) in a state that is a party to the Agreement on the European Economic Area ("EEA"; Iceland, Liechtenstein or Norway), or (iii) in a designated third state with which the Netherlands has agreed to an arrangement for the exchange of information on tax matters, it is entitled to a full or partial refund of Dutch dividend withholding tax incurred in respect of the Shares if the final tax burden in respect of the dividends distributed by the Company of a comparable Dutch resident stockholder is lower than the withholding tax incurred by the non-Dutch resident stockholder. The refund is granted upon request, and is subject to conditions and limitations. No entitlement to a refund exists if the disadvantage for the non-Dutch resident stockholder is entirely compensated in his state of residence under the provisions of a treaty for the avoidance of double taxation concluded between this state of residence and the Netherlands.

If a stockholder is (A) resident (i) in an EU member state, or (ii) in a state that is a party to the EEA, or (iii) in a third state with which the Netherlands has concluded a tax treaty for the avoidance of double taxation which contains a provision addressing dividends, according to the laws of that state, and (B) the stockholder is not considered a resident of another state under the terms of a tax treaty for the avoidance of double taxation concluded by that state with a third state with which the Netherlands has not concluded a tax treaty for the avoidance of double taxation which contains a provision addressing dividends, not being another EU member state or a state that is a party to the EEA, and (C) the stockholder owns an interest in the Company to which the participation exemption or the participation credit would be applicable if the stockholder was resident in the Netherlands, this stockholder will generally be eligible for an exemption from or refund of Dutch dividend withholding tax on dividends distributed by us, unless (D) the stockholder (i) holds the shares with the main purpose, or one of the main purposes, to avoid taxation due by another individual or entity, and (ii) holds the shares, or is deemed to hold the shares, as part of an artificial arrangement or transaction (or a series of artificial arrangements or composite of transactions).

Furthermore, if a stockholder:

- (a) is an entity which is resident for Dutch tax purposes in a member state of the European Union, a state that is a party to the EEA or which is a qualifying stockholder resident elsewhere;
- (b) is not subject to a tax levied by reference to its profits in its country of residence; and
- (c) would not have been subject to Dutch corporate income tax had the stockholder been resident in the Netherlands for Dutch tax purposes;

such stockholder will be eligible for a full refund of Dutch dividend withholding tax on dividends distributed by us, unless such stockholder is comparable to an exempt investment institution (*vrijgestelde beleggingsinstelling*) or fiscal investment institution (*fiscale beleggingsinstelling*), as described respectively in article 6a and 28 of the Dutch corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*). For purposes of (a) above, a qualifying stockholder is an entity that (i) is resident for Dutch tax purposes in a jurisdiction which has an arrangement for the exchange of tax information with the Netherlands and (ii) holds its shares as a portfolio investment, i.e. such shares are not held with a view to the establishment or maintenance of lasting and direct economic links between the stockholder and the Company and the shares do not allow the stockholder to participate effectively in the management or control of the Company.

A stockholder who is considered to be resident in the United States and is entitled to the benefits of the convention between the United States and the Netherlands for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, dated December 18, 1992, as amended most recently by the Protocol signed March 8, 2004 (the "Treaty"), will be entitled to a reduction in the Dutch withholding tax by way of an exemption, reduction or refund, as follows:

- if the U.S. stockholder is an exempt pension trust, as described in article 35 of the Treaty, or an exempt organization, as described in article 36 of the Treaty, the U.S. stockholder will be exempt from Dutch dividend withholding tax;
- if the U.S. stockholder is a company which holds directly at least 10 percent of the voting power in the Company, the U.S. stockholder will be subject to Dutch withholding tax at a rate not exceeding 5 percent;
- if the U.S. stockholder is a company which holds directly at least 80 percent of the voting power in the Company and certain other conditions are met, the U.S. stockholder will be exempt from Dutch dividend withholding tax; and
- in all other cases, the U.S. stockholder will be subject to Dutch dividend withholding tax at a rate of 15 percent.

According to Dutch domestic anti-dividend stripping rules, no credit against Dutch (corporate) income tax, exemption from, reduction in or refund of, Dutch dividend withholding tax will be granted if the recipient of the dividend paid by us is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of such dividends as meant in these rules.



### **Taxes on Income and Capital Gains**

The description of taxation set out in this section of the Annual Report does not apply to any stockholder who is an individual for whom the income or capital gains derived from our shares of common stock are attributable to employment activities, the income from which is taxable in the Netherlands.

A stockholder will not be subject to Dutch taxes on income or capital gains in respect of the ownership and disposal of our shares, other than Dutch dividend withholding tax as described above, except if:

- (i) the stockholder is, or is deemed to be, resident in the Netherlands for Dutch (corporate) income tax purposes;
- (ii) the stockholder derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a stockholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which permanent establishment or a permanent representative the shares are attributable;
- (iii) the stockholder is an individual and derives benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) carried out in the Netherlands in respect of the shares, including, without limitation, activities which are beyond the scope of active portfolio investment activities;
- (iv) the stockholder is an individual and has a substantial interest (*aanmerkelijk belang*) or a fictitious substantial interest (*fictief aanmerkelijk belang*) in the Company, which is not attributable to the assets of an enterprise;
- (v) the stockholder is not an individual and holds a substantial or fictitious substantial interest in the Company with the main purpose, or one of the main purposes, to avoid income tax due by an individual, and holds the shares, or is deemed to hold the shares, as part of an artificial arrangement or transaction (or a series of artificial arrangements or composite of transactions);
- (vi) the stockholder is not an individual and is entitled to a share in the profits of an enterprise or a co-entitlement to the net-worth of an enterprise, other than by way of the holding of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the shares are attributable; or
- (vii) the stockholder is an individual and is entitled to a share in the profits of an enterprise, other than by way of the holding of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the shares are attributable.

Generally, a stockholder has a substantial interest if such stockholder, alone or together with its partner, directly or indirectly (a) owns, or holds certain rights on, shares representing five percent or more of the total issued and outstanding capital of the Company, or of the issued and outstanding capital of any class of shares of the Company; (b) holds rights to, directly or indirectly, acquire shares, whether or not already issued, representing five percent or more of the total issued and outstanding capital of the Company, or of the issued and outstanding capital of any class of shares of the Company; or (c) owns, or holds certain rights on, profit participating certificates that relate to five percent or more of the annual profit of the Company or to five percent or more of the liquidation proceeds of the Company. A stockholder will also have a substantial interest if its partner or one of certain relatives of the stockholder or of its partner has a substantial interest.

Generally, a stockholder has a fictitious substantial interest in the Company if, without having an actual substantial interest in the Company (i) an enterprise has been contributed to the Company in exchange for shares on an elective non-recognition basis; (ii) the shares have been obtained under inheritance law or matrimonial law, on a non-recognition basis, while the disposing stockholder had a substantial interest in the Company; (iii) the shares have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective non-recognition basis, while the stockholder prior to this transaction had a substantial interest in an entity that was party thereto; or (iv) the shares held by the stockholder, prior to dilution, qualified as a substantial interest and, by election, no gain was recognized upon disqualification of these shares.

### **Gift Tax and Inheritance Tax**

No Dutch gift or inheritance tax is due in respect of any gift of the shares by, or inheritance of the shares on the death of, a stockholder, except if:

- (i) at the time of the gift or death of the stockholder, the stockholder is resident, or is deemed to be resident, in the Netherlands;
- (ii) the stockholder passes away within 180 days after the date of the gift of the shares and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of its death, resident in the Netherlands; or
- (iii) the gift of the shares is made under a condition precedent and the stockholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if the individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. For purposes of Dutch gift tax, any individual, irrespective of its nationality, will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

### ***Other Taxes and Duties***

No other Dutch taxes, including turnover tax and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a stockholder by reason only of the purchase, ownership and disposal of the shares.

### ***Residency***

A stockholder will not become resident, or deemed resident in the Netherlands for tax purposes by reason only of holding the shares.

### **United States Federal Income Tax Considerations**

The following summary describes the material United States federal income tax consequences of the ownership and disposition of our shares as of the date hereof. The summary set forth below is applicable only to United States Holders (as defined below) (i) who are residents of the United States for purposes of the Treaty, (ii) whose shares do not, for purposes of the Treaty, form part of the business property of a permanent establishment, or pertain to a fixed base, in the Netherlands, and (iii) who otherwise qualify for the full benefits of the Treaty. Except where noted, this summary deals only with shares held as capital assets. As used herein, the term “United States Holder” means a beneficial owner of a share that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a person holding our shares in connection with a trade or business conducted outside of the United States;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose “functional currency” is not the United States dollar.

The summary below is based upon the provisions of the United States Internal Revenue Code of 1986, as amended (the “Code”), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, perhaps retroactively, so as to result in United States federal income tax consequences different from those discussed below.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds our shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding our shares, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income or the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

## ***Taxation of Dividends***

The gross amount of distributions on the shares (including any amounts withheld in respect of Dutch withholding taxes to the extent such amounts are actually transferred to the Dutch tax authorities, as described under “*Certain Tax Considerations—Holder of Common Stock—Summary of Dutch Tax Considerations—Withholding Tax*” above) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such amounts taxable as dividends (including any portion thereof withheld and paid over to the Dutch tax authorities) will be includable in your gross income as ordinary income on the day actually received by you or on the day received by your nominee or agent that holds the shares on your behalf. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the Treaty meets these requirements. We believe we are currently eligible for the benefits of the Treaty. A foreign corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our shares, which are listed on Nasdaq, are considered readily tradable on an established securities market in the United States. There can be no assurance that our shares will be considered readily tradable on an established securities market in later years.

Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. For this purpose, the minimum holding period requirement will not be met if a share has been held by a holder for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend, appropriately reduced by any period in which such holder is protected from risk of loss. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules to your particular circumstances.

The maximum rate of withholding tax on dividends paid to you pursuant to the Treaty is 15 percent. You may be required to properly demonstrate to the Company and the Dutch tax authorities your entitlement to the reduced rate of withholding under the Treaty. Subject to certain conditions and limitations, Dutch withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. However, amounts withheld to reflect Dutch withholding taxes will not be creditable to the extent that we are allowed to reduce the amount of the withholding tax that is actually transferred to the Dutch tax authorities, as described under “*Certain Tax Considerations—Holder of Common Stock—Summary of Dutch Tax Considerations—Withholding Tax*” above. For purposes of calculating the foreign tax credit, dividends paid on the shares will be treated as income from sources outside the United States and will generally constitute passive category income. Further, in certain circumstances, if you:

- have held shares for less than a specified minimum period during which you are not protected from risk of loss, or
- are obligated to make payments related to the dividends,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to determine earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

## ***Passive Foreign Investment Company***

Based on the composition of our income and valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (a “PFIC”) for the 2018 taxable year, and we do not expect to become one in the future, although there can be no assurance in this regard. If, however, we are or become a PFIC, you could be subject to additional United States federal income taxes on gain recognized with respect to the shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

### ***Taxation of Capital Gains***

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of a share in an amount equal to the difference between the amount realized for the share and your tax basis in the share. Such gain or loss will generally be capital gain or loss. Capital gains of non-corporate United States Holders (including individuals) derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

### ***Information Reporting and Backup Withholding***

In general, information reporting will apply to dividends in respect of our shares and the proceeds from the sale, exchange or redemption of our shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

### ***F. Dividends and Paying Agents***

Not applicable.

### ***G. Statement by Experts***

Not applicable.

### ***H. Documents on Display***

We are a "foreign private issuer" as such term is defined in Rule 405 under the Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. We are subject to the informational requirements of the Exchange Act and are required to file reports and other information with the SEC. Shareholders may read and copy any of our reports and other information at, and obtain copies upon payment of prescribed fees from, the Public Reference Room maintained by the SEC at 100 F Street N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our filings are also publicly available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov)

### ***I. Subsidiary Information***

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through fixed and variable rate debt instruments and denominate our transactions in a variety of foreign currencies. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market observable inputs, including interest rate yield curves, as well as foreign exchange and commodity spot and forward rates, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty owes us, thus creating a receivable risk for us. We are exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

### **Interest Rate Risk**

Our RCF Agreement has a \$600 million borrowing capacity with floating rate interest, but there are currently no borrowings under this facility. At December 31, 2018, we had no aggregate principal amount outstanding under the Bridge Loan. A hypothetical increase in LIBOR based interest rates would not have caused any change to our interest expense on our floating rate debt.

Additional information regarding our notes is provided in notes 2, Significant Accounting Policies, and 15, Debt, of our notes to the Consolidated Financial Statements included in Part III, Item 18. of this Annual Report is incorporated herein by reference.

## Foreign Currency Risks

We are also exposed to market risk from changes in foreign currency exchange rates, which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and generally employ operating and financing activities to offset these exposures where appropriate. If we do not have operating or financing activities to sufficiently offset these exposures, from time to time, we may employ derivative financial instruments such as swaps, collars, forwards, options or other instruments to limit the volatility to earnings and cash flows generated by these exposures. Derivative financial instruments are only used for hedging purposes and not for trading or speculative purposes. Counterparties to our derivatives contracts are all major banking institutions. In the event of financial insolvency or distress of a counterparty to our derivative financial instruments, we may be unable to settle transactions if the counterparty does not provide us with sufficient collateral to secure its net settlement obligation to us, which could have a negative impact on our results. The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate and record these as assets or liabilities in the balance sheet. Changes in the fair values are recognized in the statement of operations immediately unless cash flow hedge accounting is applied. A summary of our foreign currency accounting policies is provided in note 2, Significant Accounting Policies, of our notes to the Consolidated Financial Statements included in Part III, Item 18. of this Annual Report is incorporated herein by reference.

At December 31, 2018 our net asset related to foreign currency forward contracts designated as hedges of foreign currency risk on certain operating expenditure transactions was \$4 million. If our forecasted operating expenditures for currencies in which we hedge were to decline by 20% and foreign exchange rates were to change unfavorably by 20% in our hedged foreign currency, we would incur a negligible loss.

Financial assets and liabilities held by consolidated subsidiaries that are not denominated in the functional currency of those entities are subject to the effects of currency fluctuations and may affect reported earnings. As a global company, we face exposure to adverse movements in foreign currency exchange rates. We may hedge currency exposures associated with certain assets and liabilities denominated in nonfunctional currencies and certain anticipated nonfunctional currency transactions. As a result, we could experience unanticipated gains or losses on anticipated foreign currency cash flows, as well as economic loss with respect to the recoverability of investments.

Our primary foreign currency exposure relates to the U.S. dollar to euro exchange rate. However, our foreign currency exposures also relate, but are not limited, to the Chinese Yuan, the Japanese Yen, the Pound Sterling, the Malaysian Ringgit, the Singapore Dollar, the Taiwan Dollar and the Thailand Baht.

## Equity Price Risk

### *Cash Convertible Senior Notes*

Our Cash Convertible Senior Notes include conversion and settlement provisions that are based on the price of our common stock at conversion or at maturity of the notes. In addition, the hedges and warrants associated with these convertible notes also include settlement provisions that are based on the price of our common stock. The amount of cash we may be required to pay to the holders at conversion or maturity of the notes is determined by the price of our common stock. The amount of cash that we may receive from hedge counterparties in connection with the related hedges and the number of shares that we may be required to provide warrant counterparties in connection with the related warrants are also determined by the price of our common stock.

## Item 12. Description of Securities Other than Equity Securities

Not applicable.

## PART II

### Item 13. *Defaults, Dividend Arrearages and Delinquencies*

None

### Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds*

None

### Item 15. *Controls and Procedures*

#### *Disclosure Controls and Procedures*

As of the end of the period covered by this Annual Report, our management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation pursuant to Rule 13a-15(e) and 15d-15(e) of the Exchange Act of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that as of the end of the period covered by this Annual Report such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports we filed or submitted under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and included controls and procedures designed to ensure that information required to be disclosed in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### *Management's Report on Internal Control over Financial Reporting*

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018 based on the criteria established in "*Internal Control - Integrated Framework (2013)*" by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

There have not been any changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that any control system, regardless of how well it is designed and operated, can provide only reasonable, not absolute, assurance that its objectives will be met. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

#### *Attestation Report of the Independent Registered Public Accounting Firm*

For the year ended December 31, 2018 an attestation report regarding internal control over financial reporting of the Company's independent registered public accounting firm is required. The attestation is included in Part III, Item 18. *Financial Statements*.

### Item 16A. *Audit Committee Financial Expert*

Ms. Southern, who succeeded Mr. Goldman as chairman of our audit committee on September 1, 2018, qualifies as an "audit committee financial expert" as such term is defined in Item 16A of Form 20-F and as determined by our board of directors. Our board of directors has determined that Ms. Southern is an independent director under Nasdaq Corporate Governance Rules. For further information relating to the qualifications and experience of Ms. Southern, see Part I, Item 6. *Directors, Senior Management and Employees*.

**Item 16B. Code of Ethics**

We have adopted the Code applicable to all of our employees, directors and officers, including our president and chief executive officer, chief financial officer, controller or principal accounting officer or other persons performing similar functions, which is a “code of ethics” as defined in Item 16B on Form 20-F and as required by the Nasdaq Listing Rules, which refers to Section 406(c) of the Sarbanes-Oxley Act.

The Code outlines our general commitment to be a responsible social partner and the way in which we attempt to interact with our stakeholders, including stockholders, suppliers, customers, employees and the market. The Code expresses our commitment to an economically, socially and ethically sustainable way of working. It covers our policy on a diverse array of subjects, including corporate gifts, child labor, International Labor Organization conventions, working hours, sexual harassment, free-market competition, bribery and the integrity of financial reporting.

The Code is available on our website at [www.nxp.com/investor/governance](http://www.nxp.com/investor/governance). We will disclose on this website any amendments to, or waivers from, our Code (to the extent applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions). The information contained on our website or that can be accessed through our website neither constitutes part of this Annual Report nor is incorporated by reference herein.

**Item 16C. Principal Accountant Fees and Services**

The Company has instituted a comprehensive auditor independence policy that regulates the relation between the Company and its external auditors and is available on our website ([www.nxp.com/investor](http://www.nxp.com/investor)). The policy includes rules for the pre-approval by the audit committee of all services to be provided by the external auditor. The policy also describes the prohibited services that may not be provided. Proposed services may be pre-approved at the beginning of the year by the audit committee (annual pre-approval) or may be pre-approved during the year by the audit committee in respect of a particular engagement (specific pre-approval). The annual pre-approval is based on a detailed, itemized list of services to be provided, designed to ensure that there is no management discretion in determining whether a service has been approved and to ensure the audit committee is informed of each service it is pre-approving. Unless pre-approval with respect to a specific service has been given at the beginning of the year, each proposed service requires specific pre-approval during the year. Any annually pre-approved services where the fee for the engagement is expected to exceed pre-approved cost levels or budgeted amounts will also require specific pre-approval. The term of any annual pre-approval is 12 months from the date of the pre-approval unless the audit committee states otherwise. During 2018, there were no services provided to the Company by the external auditors which were not pre-approved by the audit committee.

In 2018, the external auditor attended all formal meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings. The external auditor attends the meeting of the board of directors at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which the annual accounts are approved. In its audit report on the annual accounts to the board of directors, the external auditor refers to the financial reporting risks and issues that were identified during the audit, internal control matters, and any other matters, as appropriate, requiring communication under the auditing standards generally accepted in the Netherlands and the United States.

Our Consolidated Financial Statements included in this Annual Report have been audited by KPMG Accountants N.V., an independent registered public accounting firm. These financial statements have been approved by the board of directors.

The following table shows the fees billed by KPMG for audit and other services provided for fiscal years 2018 and 2017. All figures are net of Value Added Tax and other similar taxes assessed on the amount billed by KPMG. All of the services reflected in the following fee table were approved in conformity with the Audit Committee’s pre-approval process.

(\$ in millions)	2018	2017
Audit Services <sup>1)</sup>	5.0	4.7
Audit-Related Services	0.1	0.2
Tax Services	-	-
All Other Services	-	-
Total	5.1	4.9

<sup>1)</sup> The fee presented for audit services excludes 5% for out of pocket expenses

Audit Services.

This category includes KPMG’s audit of our annual financial statements and internal control over financial reporting, review of financial statements included in our quarterly reports, and services that are typically provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes statutory audits; comfort letters; and consents issued in connection with SEC filings or private placement documents.

#### Audit-Related Services.

This category consists of assurance and related services provided by KPMG that are reasonably related to the performance of the audit or review of our financial statements, and are not included in the fees reported in the table above under “Audit Services”. The services for the fees disclosed under this category primarily include services related to local statutes or regulations.

#### Tax Services.

This category consists of tax services provided with respect to tax consulting, tax compliance, tax audit assistance, tax planning, expatriate tax services, and transfer pricing, of which there were none in 2018 and 2017.

#### All Other Services.

This category consists of services provided by KPMG that are not included in the category descriptions defined above under “Audit Services”, “Audit-Related Services”, or “Tax Services”.

#### Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

#### Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides a summary of shares repurchased by the Company in 2018:

Period begin	Period end	Period	Total Number of Shares Purchased	Average Price Paid per Share	NXPI closing price (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2) (3)
January 1	February 4	January	241,611	118.32		241,611	409,735
February 5	March 4	February	8,538	120.02		8,538	401,197
March 5	April 1	March	1,096	124.78		1,096	400,101
April 2	May 6	April	10,603	96.79		10,603	389,498
May 7	June 3	May	13,201	92.80		13,201	376,297
June 4	July 1	June	503	116.36		503	375,794
July 2	August 5	July	13,851,239	95.25	95.92	13,851,239	38,380,599
August 6	September 2	August	17,863,236	93.42	93.14	17,863,236	21,609,275
September 3	September 30	September	17,330,167	91.93	85.50	17,330,167	4,905,887
October 1	November 4	October	5,055,096	77.68		5,055,096	15,100,834
November 5	December 2	November	328	82.86		328	15,100,506
December 3	December 31	December	563	82.05		563	15,099,943
<b>Total 2018</b>			<b>54,376,181</b>	<b>92.07</b>		<b>54,376,181</b>	

- (1) From the period July 26, 2018, to October 31, 2018, the maximum number of shares that may yet be purchased under the plans or programs is calculated by dividing (x) the remaining portion of the \$5 billion repurchase authorization in effect during this time by (y) the last closing price of the period.
- (2) On June 1, 2017, the General Meeting of Shareholders authorized the Board of Directors to repurchase shares of our common stock for a period of eighteen months. On that basis, the Board of Directors authorized to repurchase shares to cover in part employee stock options and equity rights under its long term incentive plans. This share repurchase program was terminated effective July 26, 2018.
- (3) On June 22, 2018, the General Meeting of Shareholders authorized the Board of Directors to repurchase shares of our common stock up to 20% of the issued share capital as per June 22, 2018. On that basis, on July 26, 2018, the Board of Directors authorized to repurchase shares of our common stock up to a maximum amount of \$5 billion. The Board of Directors subsequently authorized, effective November 1, 2018, to increase the repurchase authorization under this program to the full 20% of issued share capital authorized by the General Meeting of Shareholders.

#### Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.



## **Item 16G. Corporate Governance**

### ***The Dutch Corporate Governance Code***

Since our initial public offering in August 2010, we have been required to comply with the Dutch corporate governance code. The current Dutch corporate governance code is dated December 8, 2016 replacing the former 2008 code and applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere. The code is based on a “comply or explain” principle. Accordingly, companies are required to disclose in their Annual Reports filed in the Netherlands whether or not they are complying with the various rules of the Dutch corporate governance code that are addressed to the board of directors or, if any, the supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application. The code contains principles and best practice provisions for managing boards, supervisory boards, stockholders and general meetings of stockholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

The Dutch corporate governance code provides that if a company indicates to what extent it applies the best practice provisions, such company will be deemed to have applied the Dutch corporate governance code.

The following discussion summarizes the primary differences between our corporate governance structure and best practice provisions of the Dutch corporate governance code:

- Best practice provision 3.1.2 states that stock options granted to members of our board shall, in any event, not be exercised in the first three years after the date of granting and shares granted to board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. Under our equity incentive schemes, part of the stock options granted to our chief executive officer are exercisable one year after the date of grant, and members of our board who received restrictive shares and performance shares are not required to retain these shares for at least five years. Although a deviation from the Corporate Governance Code, we hold the view that the combination of equity incentives granted to our chief executive officer, in relation to his obligation—laid down in the NXP Executive Equity Ownership Policy of October 2013—to maintain at least 20% of the after tax number of NXP shares delivered upon the vesting of any performance stock units granted as of October 2013, as well as the applicable strict vesting and performance criteria, will enhance the goal of promoting long-term investments in the Company. The same is true for the equity grants made to other members of our board, which also have very strict vesting criteria with the purpose of creating long-term commitment to the Company.
- Pursuant to best practice provision 4.3.3, a general meeting of stockholders is empowered to cancel binding nominations of candidates for the board, and to dismiss members of the board by a simple majority of votes of those in attendance, although the company may require a quorum of at least one third of the voting rights outstanding. If such quorum is not represented, but a majority of those in attendance vote in favor of the proposal, a second meeting may be convened and its vote will be binding, even without a one-third quorum. Our articles of association currently state that the general meeting of stockholders may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. Although a deviation from provision 4.3.3 of the Dutch Corporate Governance Code, we hold the view that these provisions will enhance the continuity of the Company’s management and policies.

Effective January 1, 2012, Dutch law does not allow directors to vote on a matter with regard to which they have an interest.

### ***The Nasdaq Corporate Governance Rules***

We are a foreign private issuer. As a result, in accordance with the listing requirements of Nasdaq, we rely on home country governance requirements and are exempt from certain corporate governance requirements that would otherwise apply in accordance with the listing requirements of Nasdaq. These exemptions and home country rules relied on by us are described below:

- We are exempt from Nasdaq’s quorum requirements applicable to meetings of stockholders. Pursuant to Dutch corporate law, the validity of a resolution by the general meeting of stockholders does not depend on the proportion of the capital or stockholders represented at the meeting (i.e. quorum), unless the law or articles of association of a company provide otherwise. Our articles of association provide that a resolution proposed to the general meeting of stockholders by the board of directors shall be adopted by a simple majority of votes cast, unless another majority of votes or quorum is required under Dutch law or our articles of association. All other resolutions shall be adopted by a two thirds majority of the votes cast, provided such majority represents at least half of the issued share capital, unless another majority of votes or quorum is required under Dutch law. To this extent, our practice varies from the requirement of Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a quorum, and that such quorum may not be less than one-third of the outstanding voting stock.

- We are exempt from Nasdaq’s requirements regarding the solicitation of proxies and provision of proxy statements for meetings of stockholders. We inform stockholders of meetings in a public notice. We prepare a proxy statement and solicit proxies from the holders of our listed stock. Our practice in this regard, however, differs from the typical practice of U.S. corporate issuers in that the advance record date for determining the holders of record entitled to attend and vote at our stockholder meetings is determined by Dutch law (currently 28 days prior to the meeting). As an administrative necessity, we establish a mailing record date in advance of each meeting of stockholders for purposes of determining the stockholders to which the proxy statement and form of proxy will be sent. However, only stockholders of record on the specified record date are entitled to attend and vote, directly or by proxy, at the meeting.
- Nasdaq requires stockholder approval prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. Under Dutch law and the Dutch corporate governance code, stockholder approval is only required for equity compensation plans (or changes thereto) for members of the board, and not for equity compensation plans for other groups of employees. However, we note that under Dutch law, the stockholders have the power to issue shares or rights to subscribe for shares at the general meeting of the stockholders unless such power has been delegated to the board. On June 22, 2018, our general meeting of stockholders empowered our board of directors to issue additional shares and grant rights to subscribe for shares of common stock, up to 10% of the issued share capital which authorization can be used for general purposes and an additional 10% if the shares of common stock are issued or rights are granted in connection with an acquisition, merger or (strategic) alliance, and to restrict or exclude pre-emptive rights pertaining to (the right to subscribe for) shares for a period of 18 months from June 22, 2018 until December 22, 2019.
- As a foreign private issuer, we are exempt from Nasdaq’s requirement that compensation committees be comprised exclusively of independent directors, provided that we describe the home country practice followed in lieu of such requirement and disclose the reasons for not having such an independent compensation committee. Under Dutch law and the Dutch corporate governance code, the general meeting of stockholders must adopt a policy in respect of the remuneration of the board. In accordance with our articles of association and our board rules, the remuneration of the executive directors is determined by the board of directors upon the recommendation of our nominating and compensation committee. Accordingly, applicable laws, regulations and corporate governance rules and practices do not require independence of the members of our nominating and compensation committee. Currently, all three members of our nominating and compensation committee are independent directors under the Dutch corporate governance rules and under the Nasdaq and SEC compensation committee structure and membership requirements.
- We are exempt from Nasdaq’s requirement to have independent director oversight of director nominations. In accordance with Dutch law, our articles of association require that our directors be appointed by the general meeting of stockholders upon the binding nomination of the board. In accordance with our board rules, the nominating and compensation committee will recommend the nomination of directors to our board.
- Nasdaq requires us to adopt a nominations committee charter or a board resolution addressing the nominations process. In accordance with the Dutch corporate governance code, we have adopted the committee’s charter. However, the nominations process has been set out in our articles of association and board rules.

Moreover, we will not distribute Annual Reports to all of our stockholders in accordance with Nasdaq rules. Dutch law requires that the external auditors be appointed at the general meeting of stockholders and not by the audit committee. Our audit committee, which consists of members of our board of directors, shall only make a recommendation to the stockholders through the board of directors for the appointment and compensation of the independent registered public accounting firm and shall oversee and evaluate the work of our independent registered public accounting firm.

**Item 16H. Mine Safety Disclosures**

Not applicable.

**PART III**

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

See pages F-1 to F-42

**Item 19. Exhibits**

<b>Exhibit Number</b>	<b>Description of Document</b>
3.1	<a href="#"><u>Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Amendment No. 7 to the Registration Statement on Form F-1 of NXP Semiconductors N.V., filed on August 2, 2010 (File No. 333-166128))</u></a>
3.2	<a href="#"><u>Articles of Association of NXP Semiconductors N.V. (incorporated by reference to Exhibit 3.2 of Amendment No. 7 to the Registration Statement on Form F-1 of NXP Semiconductors N.V., filed on August 2, 2010 (File No. 333-166128))</u></a>
4.1	<a href="#"><u>Senior Unsecured Indenture dated as of March 12, 2013 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.7 of the Form 20-F of NXP Semiconductors N.V. filed on February 28, 2014)</u></a>
4.2	<a href="#"><u>Senior Unsecured Indenture dated as of May 20, 2013 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.8 of the Form 20-F of NXP Semiconductors N.V. filed on February 28, 2014)</u></a>
4.3	<a href="#"><u>Indenture dated as of December 1, 2014 among NXP Semiconductors N.V. as Issuer and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.7 of the Form 20-F of NXP Semiconductors N.V. filed on March 6, 2015)</u></a>
4.4	<a href="#"><u>Senior Unsecured Indenture dated June 9, 2015 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.10 of the Form 20-F of NXP Semiconductors N.V. filed on February 26, 2016)</u></a>
4.5	<a href="#"><u>RCF Agreement dated as of December 7, 2015 among NXP B.V. and NXP Funding LLC as Borrowers, the several lenders from time to time parties thereto, Morgan Stanley Senior Funding, Inc. as Collateral Agent, Morgan Stanley Senior Funding, Inc., as Administrative Agent, Citibank, N.A. as Letter of Credit Issuer, Credit Suisse Securities (USA) LLC, Morgan Stanley Senior Funding, Inc., Barclays Bank PLC, Deutsche Bank Securities Inc. and Bank of America N.A. as Joint Lead Arrangers and Joint Bookrunners, and Goldman Sachs Lending Partners LLC, Citigroup Markets Limited and Coöperative Centrale Raiffeisen-Boerenleenbank B.A. as Co-Managers (incorporated by reference to Exhibit 4 of the Form 6-K of NXP Semiconductors N.V. filed on December 7, 2015)</u></a>
4.6	<a href="#"><u>RCF Guaranty Agreement dated as of December 7, 2015 among NXP B.V., NXP Funding LLC and each of the subsidiary guarantors listed on the signature pages thereto, Morgan Stanley Senior Funding, Inc. as Collateral Agent and Morgan Stanley Senior Funding, Inc. as Administrative Agent (incorporated by reference to Exhibit 5 of the Form 6-K of NXP Semiconductors N.V. filed on December 7, 2015)</u></a>
4.7	<a href="#"><u>Supplemental Guaranty dated as of December 7, 2015 to the guarantee dated as of March 4, 2011 among NXP B.V., each of the Guarantors listed on the signature pages thereto, Barclays Bank PLC as Administrative Agent, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Mizuho Corporate Ban. Ltd. as Taiwan Collateral Agent (incorporated by reference to Exhibit 10.4 of the Form 8-K of Freescale Semiconductor, Ltd. filed on December 7, 2015)</u></a>
4.8	<a href="#"><u>Senior Indenture dated as of May 23, 2016, between NXP B.V. and NXP Funding LLC as Issuers, each of the guarantors party thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 2 of the Form 6-K of NXP Semiconductors N.V. filed on August 2, 2016)</u></a>
4.9	<a href="#"><u>Senior Indenture dated as of August 11, 2016, among NXP B.V. and NXP Funding LLC as Issuers, each of the guarantors party thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.21 of the Form 20-F of NXP Semiconductors N.V. filed on March 3, 2017)</u></a>
4.10	<a href="#"><u>2016 New Term Loan Joinder Agreement dated as of September 22, 2016, by and among the Tranche F Lenders defined therein, NXP B.V. and NXP Funding LLC as Borrowers and Credit Suisse AG as Administrative Agent (incorporated by reference to Exhibit 4.22 of the Form 20-F of NXP Semiconductors N.V. filed on March 3, 2017)</u></a>
4.11	<a href="#"><u>Bridge Term Credit Agreement dated as of September 19, 2018, among NXP B.V. and NXP Funding LLC, as the Borrowers, the several Lenders from time to time parties hereto, and Barclays Bank Plc as Administrative Agent, Barclays Bank Plc, Credit Suisse Loan Funding LLC, Bank of America Merrill Lynch International Limited, Deutsche Bank Securities Inc., and Morgan Stanley Senior Funding, Inc. as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 1 of the Form 6-K of NXP Semiconductors N.V. filed on September 20, 2018)</u></a>
4.12	<a href="#"><u>Guaranty Relating to the Credit Agreement dated as of September 19, 2018, made by the Guarantors and Barclays Bank Plc, as administrative agent (incorporated by reference to Exhibit 2 of the Form 6-K of NXP Semiconductors N.V. filed on September 20, 2018)</u></a>

Exhibit Number	Description of Document
4.13	<a href="#"><u>Senior Indenture dated as of December 6, 2018, among NXP B.V., NXP Funding LLC, each of the guarantors party thereto and Deutsche Bank Trust Company Americas as trustee</u></a>
10.1	<a href="#"><u>Intellectual Property Transfer and License Agreement dated as of September 28, 2006 between Koninklijke Philips Electronics N.V. and NXP B.V. (incorporated by reference to Exhibit 10.1 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))</u></a>
10.2	<a href="#"><u>Intellectual Property Transfer and License Agreement dated as of November 16, 2009 among NXP B.V., Virage Logic Corporation and VL C.V. (incorporated by reference to Exhibit 10.2 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))</u></a>
10.3	<a href="#"><u>Shareholders' agreement dated as of March 30, 1999, as amended among EBD Investments Pte. Ltd., Koninklijke Philips Electronics N.V. and Taiwan Semiconductor Manufacturing Company Ltd. (incorporated by reference to Exhibit 10.4 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))</u></a>
10.4	<a href="#"><u>Lease Agreement dated as of December 23, 2004 between Jurong Town Corporation and Systems on Silicon Manufacturing Company Pte. Ltd. for the property at No. 70 Pasir Ris Drive 1, Singapore (incorporated by reference to Exhibit 10.8 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))</u></a>
10.5	<a href="#"><u>Management Equity Stock Option Plan Terms and Conditions dated August 2010 (incorporated by reference to Exhibit 10.19 of the Form 20-F of NXP Semiconductors N.V. filed on March 13, 2012)</u></a>
10.6	<a href="#"><u>Management Equity Stock Option Plan Terms and Conditions dated January 2011 (incorporated by reference to Exhibit 10.20 of the Form 20-F of NXP Semiconductors N.V. filed on March 13, 2012)</u></a>
10.7	<a href="#"><u>Long Term Incentive Plan 2010 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, Restricted Stock Unit Plan and Share Plan (incorporated by reference to Exhibit 10.21 of the Form 20-F of NXP Semiconductors N.V. filed on March 13, 2012)</u></a>
10.8	<a href="#"><u>NXP Global Equity Incentive Program (incorporated by reference to Exhibit 10.26 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))</u></a>
10.9	<a href="#"><u>Long Term Incentive Plan 2011 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, Restricted Stock Unit Plan and Share Plan (incorporated by reference to Exhibit 10.23 of the Form 20-F of NXP Semiconductors N.V. filed on March 13, 2012)</u></a>
10.10	<a href="#"><u>Long Term Incentive Plan 2012/3 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, Restricted Stock Unit Plan and Share Plan (incorporated by reference to Exhibit 10.23 of the Form 20-F of NXP Semiconductors N.V. filed on March 1, 2013). Long Term Incentive Plan 2013/4 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan and Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.22 of the Form 20-F of NXP Semiconductors N.V. filed on February 28, 2014). Long Term Incentive Plan 2014/5 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, the Restricted Stock Unit Plan and the Keep Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.22 of the Form 20-F of NXP Semiconductors N.V. filed on March 6, 2015). Long Term Incentive Plan 2015/6 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan and the Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.22 of the Form 20-F of NXP Semiconductors N.V. filed on February 26, 2016). Long Term Incentive Plan 2016/17 Terms and Conditions with regard to the Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.22 of the Form 20-F of NXP Semiconductors N.V. filed on March 3, 2017). Long Term Incentive Plan 2017/18 Terms and Conditions with regard to the Restricted Stock Unit Plan (incorporated by reference to Exhibit 4.6 of the Form S-8 of NXP Semiconductors N.V. filed on October 25, 2017 (File No. 333-221118)). Long Term Incentive Plan 2018/19 Terms and Conditions with regard to the Performance Stock Units Plan (incorporated by reference to Exhibit 4.11 of the Form S-8 of NXP Semiconductors N.V. filed on September 14, 2018 (File No. 333-227332)). Long Term Incentive Plan 2018/19 Terms and Conditions with regard to the Restricted Stock Units Plan (incorporated by reference to Exhibit 4.12 of the Form S-8 of NXP Semiconductors N.V. filed on September 14, 2018 (File No. 333-227332))</u></a>
10.11	<a href="#"><u>Employee Stock Purchase Plan Terms and Conditions (incorporated by reference to Exhibit 4.1 of the Form S-8 of NXP Semiconductors N.V. filed on August 8, 2013)</u></a>
10.12	<a href="#"><u>Agreement and Plan of Merger, dated as of March 1, 2015, by and among NXP Semiconductors N.V., Freescale Semiconductor, Ltd. and Nimble Acquisition Limited (incorporated by reference to Exhibit 1 of the Form 6-K of NXP Semiconductors N.V. filed on March 3, 2015)</u></a>

<u>Exhibit Number</u>	<u>Description of Document</u>
10.13	<a href="#"><u>Sale and Purchase Agreement, dated June 14, 2016, between NXP B.V., Beijing Jianguang Asset Management Co., Ltd. and Wise Road Capital LTD (incorporated by reference to Exhibit 10.33 of the Form 20-F of NXP Semiconductors N.V. filed on March 3, 2017)</u></a>
10.14	<a href="#"><u>Amendment No. 1, dated February 20, 2018, to the Purchase Agreement, dated October 27, 2016, by and between Qualcomm River Holdings B.V. and NXP Semiconductors N.V. (incorporated by reference to Exhibit 1 of the Form 6-K of NXP Semiconductors N.V. filed on February 20, 2018)</u></a>
10.15	<a href="#"><u>Amendment No. 2, dated April 19, 2018, to the Purchase Agreement, dated October 27, 2016, by and between Qualcomm River Holdings B.V. and NXP Semiconductors N.V. (incorporated by reference to Exhibit 1 of the Form 6-K of NXP Semiconductors N.V. filed on April 19, 2018)</u></a>
12.1	<a href="#"><u>Certification of R.L. Clemmer filed pursuant to 17 CFR 240.13a-14(a)</u></a>
12.2	<a href="#"><u>Certification of P. Kelly filed pursuant to 17 CFR 240.13a-14(a)</u></a>
13.1	<a href="#"><u>Certification of R.L. Clemmer furnished pursuant to 17 CFR 240.13a-14(b)</u></a>
13.2	<a href="#"><u>Certification of P. Kelly furnished pursuant to 17 CFR 240.13a-14(b)</u></a>
21.1	<a href="#"><u>List of Significant Subsidiaries of the Registrant</u></a>
23	<a href="#"><u>Consent of KPMG Accountants N.V.</u></a>

## GLOSSARY

<b>32 bit ARM microcontrollers</b>	Microcontroller based on a 32-bit processor core developed and licensed by ARM Technologies.
<b>AC-DC</b>	Conversion of alternating current to direct current.
<b>Analog</b>	A form of transmission that is a continuous wave of an electrical signal that varies in frequency and/or amplitude in response to variations of physical phenomena such as human speech or music.
<b>ASIL</b>	Automotive Safety Integrity Level, is a risk classification scheme defined by ISO 26262- Functional Safety for Road Vehicles standard. The ASIL is established by performing a risk analysis of a potential hazard by looking at the Severity, Exposure and Controllability of the vehicle operating scenario. The safety goal for that hazard in turn carries the ASIL requirements.
<b>Back-end</b>	The packaging, assembly and testing stages of the semiconductors manufacturing process, which takes place after electronic circuits are imprinted on silicon wafers in the front-end process.
<b>BiCMOS</b>	A process technology that combines bipolar and CMOS processes, typically by combining digital CMOS circuitry with high voltage or higher speed bipolar circuitry.
<b>Bipolar</b>	A process technology used to create semiconductors for applications involving the use of higher power levels than are possible with a CMOS chip. Due to the geometry of a bipolar circuit, these devices are significantly larger than CMOS devices. The speed of the most advanced bipolar devices exceeds those attainable with CMOS, but only at very large electrical currents. As a result, the number of bipolar devices that can be integrated into a single product is limited.
<b>Bluetooth low energy</b>	Bluetooth low energy (BLE) is a wireless computer network technology that, in comparison with “classic” Bluetooth, requires considerably less power and provides a similar communication range. BLE has been included in the majority of smart phones for the past couple of years, with its initial application as the communication between the smart phone and other personal devices like fitness trackers and head-sets. Recently also other applications like communication with light bulbs are emerging.
<b>CAN</b>	Controller Area Network. A network technology used in automotive network architecture.
<b>CATV</b>	An abbreviation for cable television.
<b>Car access and immobilizers</b>	An automobile technology segment focused on keyless entry and car immobilization applications. An automobile immobilizer is an electronic device fitted to an automobile which prevents the engine from running unless the correct key (or other token) is present.
<b>Chip</b>	Semiconductor device.
<b>CMOS</b>	Complementary Metal Oxide Semiconductor. The most common integrated circuit fabrication technology in the semiconductor industry. The technology is used to make integrated circuits where small size and high speed are important. As a result of the very small feature sizes that can be attained through CMOS technology, however, the ability of these integrated circuits to cope with high electrical currents and voltages is limited.
<b>Coolflux DSP</b>	A low power digital signal processor designed for mobile audio applications.
<b>Digital</b>	A form of transmission where data is represented by a series of bits or discrete values such as 0 and 1.
<b>Diode</b>	A semiconductor that allows currents to flow in one direction only.
<b>Discrete semiconductors</b>	Unlike integrated circuits, which contain up to tens of millions of transistors, discrete semiconductors are single devices, usually with two terminals (diodes) or three terminals (transistors). These are either applied as peripheral components on printed circuit boards, or used for special purposes such as very high power applications.
<b>DMOS</b>	Diffused Metal on Silicon Oxide Semiconductor. A process technology used to manufacture integrated circuits that can operate at high voltage.
<b>DSP</b>	Digital signal processor. A specialized microprocessor optimized to process sequences of numbers or symbols which represent signals.

<b>EMI filtering</b>	Electromagnetic interference (or EMI, also called radio frequency interference or RFI when in high frequency or radio frequency) is disturbance that affects an electrical circuit due to either electromagnetic induction or electromagnetic radiation emitted from an external source.
<b>eMotor</b>	Electric motor.
<b>eNVM</b>	Embedded non-volatile memory (eNVM) offers broad areas of applications for MCU (microcontroller) in Automotive, Mobility, and Security markets with key advantages such as dense board designs with reduced number of parts, reduced system costs, reduced noise, higher system speed due to fast code access, in-system on-board re-programmability of code and data storage, lower power dissipation, improved reliability, and real-time control application.
<b>e-passport</b>	A passport with secure data source chip used in providing personalized information.
<b>ESD</b>	Electrostatic discharge. The sudden and momentary electric current that flows between two objects caused by direct contact or induced by an electrostatic field. This term is used in the context of electronics to describe momentary unwanted currents that may cause damage to electronic equipment.
<b>Fab (or wafer fab)</b>	A semiconductor fabrication facility in which front-end manufacturing processes take place.
<b>Fabless semiconductor company</b>	A semiconductor company that does not have any internal wafer fab manufacturing capacity but instead focuses on designing and marketing its products, while outsourcing manufacturing to an independent foundry.
<b>FlexRay</b>	A new communications protocol designed for the high data transmission rates required by advanced automotive control systems.
<b>Foundry</b>	A semiconductor manufacturer that manufactures chips for third parties.
<b>Front-end</b>	The wafer processing stage of the semiconductors manufacturing process in which electronic circuits are imprinted onto raw silicon wafers. This stage is followed by the packaging, assembly and testing stages, which together comprise the back-end process.
<b>GPIO</b>	General Purpose Input/Output, a standard interface used to connect ICs.
<b>HDTMOS</b>	High cell density TMOS (HDTMOS) is an advancement in power MOSFET technology that reduces power dissipation. This results in lower thermal generation and a reduction in the component's total part count.
<b>HPRF power amplifier</b>	High power RF (HPRF) system mainly consists of RF power amplifiers and waveguide distribution system. RF power amplifiers produce RF energy and waveguides transmit this RF energy to the accelerator modules.
<b>HSPA+</b>	Evolved High-Speed Packet Access, or HSPA+, is a technical standard for wireless, broadband telecommunication with higher speeds for the end user that are comparable to the newer LTE networks.
<b>I<sup>2</sup>C</b>	A multi-master serial single-ended computer bus that is used to attach low-speed peripherals to a motherboard, embedded system or mobile phone.
<b>IC</b>	Integrated Circuit. A miniaturized electronic circuit that has been manufactured in the surface of a thin substrate of semiconductor material.
<b>ICN 8</b>	NXP wafer fab facilities located in Nijmegen, Netherlands, processing 8" diameter wafers.
<b>IGBT</b>	Insulated-Gate Bipolar Transistor – is a three-terminal power semiconductor device primarily used as an electronic switch which, as it was developed, came to combine high efficiency and fast switching.
<b>i.MX</b>	i.MX applications processors are multicore ARM-based solutions for multimedia and display applications with scalability, high performance and low power capabilities.
<b>In-process research and development</b>	The value allocated to incomplete research and development projects in acquisitions treated as purchases.



<b>IoT</b>	The Internet of Things (IoT) is the network of physical objects—devices, vehicles, buildings and other items which are embedded with electronics, software, sensors and network connectivity, which enables these objects to collect and exchange data. The Internet of Things allows objects to be sensed and controlled remotely across existing network infrastructure, creating opportunities for more direct integration of the physical world into computer-based systems.
<b>IPv6</b>	Internet Protocol version 6, the most recent version of the Internet Protocol (IP), the communications protocol that provides an identification and location system for computers on networks and routes traffic across the Internet.
<b>LDMOS</b>	Laterally Diffused Metal Oxide Semiconductor. A transistor used in RF/microwave power amplifiers.
<b>LED</b>	Light Emitting Diode. A semiconductor device which converts electricity into light.
<b>LIBOR</b>	London Interbank Offered Rate. The benchmark rate at which interbank term deposits within the leading banks in London would be charged if borrowing from other banks.
<b>LIN</b>	Local Interconnect Network. A network technology used in automotive network architecture.
<b>LNA</b>	Low-Noise Amplifier. An electronic amplifier used to amplify very weak signals.
<b>LTE</b>	Long Term Evolution (LTE) is a 4G wireless broadband technology standard for wireless communication of high-speed data for mobile phones and data terminals, increasing the capacity and speed using a different radio interface together with core network improvements.
<b>Memory</b>	Any device that can store data in machine readable format. Usually used synonymously with random access memory and read only memory.
<b>Microcontroller</b>	A microprocessor combined with memory and interface integrated on a single circuit and intended to operate as an embedded system.
<b>Micron</b>	A metric unit of linear measure which equals one millionth of a meter. A human hair is about 100 microns in diameter.
<b>MIFARE</b>	Trademarked name, owned by NXP, for the most widely used contactless smart card, or proximity card, technology, for payment in transportation systems.
<b>Mixed-signal</b>	The mixed-signal part of an application solution refers to the devices and sub-system solutions that translate real world analog signals and phenomena such as radio frequency communication and power signals, sound, light, temperature, pressure, acceleration, humidity and chemical characteristics into digital or power signals that can be fed into the central microprocessing or storage devices at the heart of an application system solution.
<b>MOS</b>	Metal Oxide Semiconductor. A metal insulator semiconductor structure in which the insulating layer is an oxide of the substrate material.
<b>MOSFET</b>	Metal Oxide Semiconductor Field Effect Transistor. A device used for amplifying or switching electronic signals.
<b>Nanometer</b>	A metric unit of linear measure which equals one billionth of a meter. There are 1,000 nanometers in 1 micron.
<b>NFC</b>	Near field communication. A technology which allows devices to establish a secure point-to-point wireless connection at very close ranges (within several centimeters), and which is being increasingly adopted in mobile devices and point-of-sale terminals or other devices.
<b>ODM</b>	Original Design Manufacturer. A company which manufactures a product which ultimately will be branded by another firm for sale.
<b>OEM</b>	Original Equipment Manufacturer. A manufacturer that designs and manufactures its products for the end consumer market.
<b>Power MOS</b>	A specific type of metal oxide semiconductor designed to handle large amounts of power.
<b>Process technologies</b>	The technologies used in front-end processes to convert raw silicon wafers into finished wafers containing hundreds or thousands of chips.
<b>QorIQ</b>	QorIQ processing platforms are complete system on chip (SoC) processors for networking applications across carrier, enterprise, military and industrial markets.

<b>RF</b>	Radio Frequency. A high frequency used in telecommunications. The term radio frequency refers to alternating current having characteristics such that, if the current is input to an antenna, an electromagnetic (EM) field is generated suitable for wireless broadcasting and/or communications.
<b>Radio Frequency Identification</b>	An RF chip used for identification.
<b>SBC</b>	System Basis Chip, is an integrated circuit that includes various functions of automotive electronic control units (ECU) on a single die.
<b>Semiconductors</b>	Generic term for devices such as transistors and integrated circuits that control the flow of electrical signals. The most common semiconductor material for use in integrated circuits is silicon.
<b>Silicon</b>	A type of semiconducting material used to make wafers. Silicon is widely used in the semiconductor industry as a base material.
<b>SoC</b>	A system on a chip or system on chip (SoC) is an integrated circuit (IC) that integrates all components of a computer or other electronic system into a single chip. It may contain digital, analog, mixed-signal, and often radio-frequency functions—all on a single chip substrate.
<b>Solid State Lighting</b>	A type of lighting that uses semiconductor light-emitting diodes (LEDs), organic light-emitting diodes (OLED), or polymer light-emitting diodes (PLED) as sources of illumination rather than electrical filaments, plasma or gas.
<b>Substrate</b>	The base material made from silicon on which an integrated circuit is printed.
<b>TD-LTE</b>	Time-division Long-Term Evolution (TD-LTE), is a 4G telecommunications technology and standard. It is one of two variants of the Long Term Evolution (LTE) technology standard.
<b>TD-SCDMA</b>	Time Division Synchronous Code Division Multiple Access (TD-SCDMA) is a 3G format of choice for the national standard of 3G mobile telecommunication in China.
<b>Telematics</b>	The science of sending, receiving and storing information via telecommunication devices.
<b>Thread</b>	An IPv6-based, low-power mesh networking technology for IoT products.
<b>USB</b>	Universal Serial Bus. A standard that provides a serial bus standard for connecting devices, usually to a computer.
<b>Wafer</b>	A disk made of a semiconducting material, such as silicon, usually either 100, 125, 150, 200 or 300 millimeters in diameter, used to form the substrate of a chip. A finished wafer may contain several thousand chips.
<b>White goods</b>	A term which refers to large household appliances such as refrigerators, stoves, dishwashers and other similar items.
<b>Yield</b>	The ratio of the number of usable products to the total number of manufactured products.
<b>ZigBee</b>	ZigBee is a technology of data transfer in wireless networks. It has low energy consumption and is designed for multi-channel control systems, alarm systems, and lighting control. It also has other various home and industry applications.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

NXP Semiconductors N.V.  
(Registrant)

/s/ RICHARD L. CLEMMER

Richard L. Clemmer  
Chief Executive Officer  
(Principal Executive Officer)

Date: March 1, 2019

/s/ PETER KELLY

Peter Kelly  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements and related schedules, together with the report of independent registered public accounting firms thereon, are filed as part of this Annual Report:

### Consolidated Financial Statements

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
NXP Semiconductors N.V.:

### *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of NXP Semiconductors N.V. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### *Basis for Opinions*

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have served as the Company’s auditor since 2009.

/s/ KPMG Accountants N.V.  
Amstelveen, the Netherlands  
March 1, 2019

**NXP Semiconductors N.V.**  
**Consolidated Statements of Operations**

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2018	2017	2016
Revenue	9,407	9,256	9,498
Cost of revenue	(4,556)	(4,637)	(5,429)
<b>Gross profit</b>	<b>4,851</b>	<b>4,619</b>	<b>4,069</b>
Research and development	(1,700)	(1,554)	(1,560)
Selling, general and administrative	(993)	(1,090)	(1,141)
Amortization of acquisition-related intangible assets	(1,449)	(1,448)	(1,527)
Other income (expense)	2,001	1,575	9
<b>Operating income (loss)</b>	<b>2,710</b>	<b>2,102</b>	<b>(150)</b>
Financial income (expense):			
Extinguishment of debt	(26)	(41)	(32)
Other financial income (expense)	(309)	(325)	(421)
<b>Income (loss) before income taxes</b>	<b>2,375</b>	<b>1,736</b>	<b>(603)</b>
Benefit (provision) for income taxes	(176)	483	851
Results relating to equity-accounted investees	59	53	11
<b>Net income (loss)</b>	<b>2,258</b>	<b>2,272</b>	<b>259</b>
Less: Net income (loss) attributable to non-controlling interests	50	57	59
Net income (loss) attributable to stockholders	2,208	2,215	200
<b>Earnings per share data:</b>			
<i>Net income (loss) per common share attributable to stockholders in \$:</i>			
– Basic	6.78	6.54	0.59
– Diluted	6.72	6.41	0.58
<i>Weighted average number of shares of common stock outstanding during the year (in thousands):</i>			
– Basic	325,781	338,646	338,477
– Diluted	328,606	345,802	347,607

See accompanying notes to the Consolidated Financial Statements.

**NXP Semiconductors N.V.**  
**Consolidated Statements of Comprehensive Income**

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2018	2017	2016
<b>Net income (loss)</b>	2,258	2,272	259
<b>Other comprehensive income (loss), net of tax:</b>			
Change in fair value cash flow hedges *	(11)	10	-
Change in foreign currency translation adjustment *	(51)	156	(124)
Change in net actuarial gain (loss)	5	(16)	(27)
Change in net unrealized gains (losses) available-for-sale securities *	3	(7)	4
<b>Total other comprehensive income (loss)</b>	(54)	143	(147)
<b>Total comprehensive income (loss)</b>	2,204	2,415	112
Less: Comprehensive income (loss) attributable to non-controlling interests	50	57	59
<b>Total comprehensive income (loss) attributable to stockholders</b>	2,154	2,358	53

\* Reclassification adjustments included in Cost of revenue, Selling, general and administrative, Research and development and Results relating to equity-accounted investees in the Consolidated Statements of Operations.

See accompanying notes to the Consolidated Financial Statements.

**NXP Semiconductors N.V.**  
**Consolidated Balance Sheets**

(\$ in millions, unless otherwise stated)

	As of December 31,	
	2018	2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	2,789	3,547
Accounts receivables, net	792	879
Inventories, net	1,279	1,236
Other current assets	365	382
<b>Total current assets</b>	<b>5,225</b>	<b>6,044</b>
<b>Non-current assets:</b>		
Other non-current assets	545	981
Property, plant and equipment, net	2,436	2,295
Identified intangible assets, net	4,467	5,863
Goodwill	8,857	8,866
<b>Total non-current assets</b>	<b>16,305</b>	<b>18,005</b>
<b>Total assets</b>	<b>21,530</b>	<b>24,049</b>
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Accounts payable	999	1,146
Restructuring liabilities - current	60	74
Accrued liabilities	1,219	747
Short-term debt	1,107	751
<b>Total current liabilities</b>	<b>3,385</b>	<b>2,718</b>
<b>Non-current liabilities:</b>		
Long-term debt	6,247	5,814
Restructuring liabilities	5	15
Deferred tax liabilities	450	701
Other non-current liabilities	753	1,085
<b>Total non-current liabilities</b>	<b>7,455</b>	<b>7,615</b>
<b>Equity:</b>		
Non-controlling interests	185	189
Stockholders' equity:		
Preferred stock, par value €0.20 per share:		
Authorized: 645,754,500 (2017: 645,754,500 shares)		
Issued: none		
Common stock, par value €0.20 per share:		
Authorized: 430,503,000 shares (2017: 430,503,000 shares)		
Issued and fully paid: 328,702,719 shares (2017: 346,002,862 shares)	67	71
Capital in excess of par value	15,460	15,960
Treasury shares, at cost:		
35,913,021 shares (2017: 3,078,470 shares)	(3,238)	(342)
Accumulated other comprehensive income (loss)	123	177
Accumulated deficit	(1,907)	(2,339)
<b>Total Stockholders' equity</b>	<b>10,505</b>	<b>13,527</b>
<b>Total equity</b>	<b>10,690</b>	<b>13,716</b>
<b>Total liabilities and equity</b>	<b>21,530</b>	<b>24,049</b>

See accompanying notes to the Consolidated Financial Statements.



**NXP Semiconductors N.V.**  
**Consolidated Statements of Cash Flows**

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
<b>Net income (loss)</b>	2,258	2,272	259
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,987	2,173	2,205
Share-based compensation	314	281	338
Excess tax benefits from share-based compensation plans	-	-	(5)
Amortization of discount on debt	42	40	34
Amortization of debt issuance costs	10	12	16
Net (gain) loss on sale of assets	-	(1,615)	(11)
(Gain) loss on extinguishment of debt	26	41	32
Results relating to equity-accounted investees	(54)	(22)	(11)
Deferred tax expense (benefit)	(211)	(797)	(925)
<i>Changes in operating assets and liabilities:</i>			
(Increase) decrease in receivables and other current assets	187	31	(51)
(Increase) decrease in inventories	(65)	(120)	568
Increase (decrease) in accounts payable and accrued liabilities	(129)	225	(156)
Decrease (increase) in other non-current assets	(22)	(100)	5
Exchange differences	14	30	15
Other items	12	(4)	(10)
<b>Net cash provided by (used for) operating activities</b>	<b>4,369</b>	<b>2,447</b>	<b>2,303</b>
Cash flows from investing activities:			
Purchase of identified intangible assets	(50)	(66)	(59)
Capital expenditures on property, plant and equipment	(611)	(552)	(389)
Proceeds from disposals of property, plant and equipment	1	2	1
Purchase of interests in businesses, net of cash acquired	(18)	-	(202)
Proceeds from sale of interests in businesses, net of cash divested	159	2,682	20
Purchase of available-for-sale securities	(9)	-	-
Proceeds from the sale of securities	2	-	-
Proceeds from return of equity investment	4	-	-
Other	-	6	2
<b>Net cash provided by (used for) investing activities</b>	<b>(522)</b>	<b>2,072</b>	<b>(627)</b>
Cash flows from financing activities:			
Repayments of short-term debt	(1,000)	-	(6)
Proceeds from the issuance of short-term debt	1,000	-	-
Amounts drawn under the revolving credit facility	-	-	200
Repayments under the revolving credit facility	-	-	(200)
Repurchase of long-term debt	(1,273)	(2,728)	(3,295)
Principal payments on long-term debt	(1)	(16)	(38)
Proceeds from the issuance of long-term debt	1,997	-	3,259
Cash paid for debt issuance costs	(23)	-	(26)
Cash paid for terminated acquisition adjustment event	(60)	-	-
Dividends paid to non-controlling interests	(54)	(89)	(126)
Dividends paid to common stockholders	(74)	-	-
Cash proceeds from exercise of stock options	39	233	115
Purchase of treasury shares and restricted stock unit withholdings	(5,006)	(286)	(1,280)
Cash paid on behalf of shareholders for tax on repurchased shares	(142)	-	-
Excess tax benefits from share-based compensation plans	-	-	5
<b>Net cash provided by (used for) financing activities</b>	<b>(4,597)</b>	<b>(2,886)</b>	<b>(1,392)</b>
Effect of changes in exchange rates on cash positions	(8)	20	(4)
Increase (decrease) in cash and cash equivalents	(758)	1,653	280
Cash and cash equivalents at beginning of period	3,547	1,894	1,614
<b>Cash and cash equivalents at end of period</b>	<b>2,789</b>	<b>3,547</b>	<b>1,894</b>

See accompanying notes to the Consolidated Financial Statements.

**NXP Semiconductors N.V.**  
**Consolidated Statements of Cash Flows (Continued)**

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2018	2017	2016
<i>Supplemental disclosures to the consolidated cash flows</i>			
<b>Net cash paid during the period for:</b>			
Interest	177	245	348
Income taxes	188	356	67
<b>Net gain (loss) on sale of assets:</b>			
Cash proceeds from the sale of assets	-	2,688	21
Book value of these assets	-	(1,073)	(10)
	-	1,615	11
<b>Non-cash adjustment related to the adoption of ASC 606:</b>			
Receivables	(36)	-	-
Inventories	22	-	-
<b>Non-cash investing and financing information:</b>			
<i>Assets received in lieu of cash from the sale of businesses:</i>			
Exchange of Term Loan B for Term Loan F	-	-	1,422

See accompanying notes to the Consolidated Financial Statements.

**NXP Semiconductors N.V.**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2018, 2017 and 2016**

(\$ in millions, unless otherwise stated)	Outstanding number of shares (in thousands)	Common stock	Capital in excess of par value	Treasury shares at cost	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2015	342,003	68	15,150	(342)	181	(3,542)	11,515	288	11,803
Net income (loss)						200	200	59	259
Other comprehensive income					(147)		(147)		(147)
Share-based compensation plans			336				336		336
Excess tax benefits from share-based compensation plans			21				21		21
Shares issued pursuant to stock awards	8,927			707		(592)	115		115
Treasury shares and restricted stock unit withholdings	(15,538)			(1,280)			(1,280)		(1,280)
Dividends non-controlling interests								(126)	(126)
Reclassification of Warrants			168				168		168
Other		3	4				7		7
Balance as of December 31, 2016	335,392	71	15,679	(915)	34	(3,934)	10,935	221	11,156
Net income (loss)						2,215	2,215	57	2,272
Other comprehensive income					143		143		143
Share-based compensation plans			281				281		281
Shares issued pursuant to stock awards	10,054			859		(626)	233		233
Treasury shares and restricted stock unit withholdings	(2,522)			(286)			(286)		(286)
Dividends non-controlling interests								(89)	(89)
Cumulative effect adjustments						6	6		6
Balance as of December 31, 2017	342,924	71	15,960	(342)	177	(2,339)	13,527	189	13,716
Net income (loss)						2,208	2,208	50	2,258
Other comprehensive income					(57)		(57)		(57)
Share-based compensation plans			311				311		311
Shares issued pursuant to stock awards	4,242			457		(418)	39		39
Treasury shares and restricted stock unit withholdings	(37,076)			(3,353)			(3,353)		(3,353)
Treasury shares, retired	(17,300)	(4)	(811)			(838)	(1,653)		(1,653)
Shareholder tax on repurchased shares						(381)	(381)		(381)
Dividends non-controlling interests								(54)	(54)
Dividends common stock						(147)	(147)		(147)
Cumulative effect adjustments					3	8	11		11
Balance as of December 31, 2018	292,790	67	15,460	(3,238)	123	(1,907)	10,505	185	10,690

See accompanying notes to the Consolidated Financial Statements.

**NXP Semiconductors N.V.**  
**Notes to the Consolidated Financial Statements**  
**All amounts in millions of \$ unless otherwise stated**

## **1 The Company**

NXP Semiconductors N.V. (including our subsidiaries, referred to collectively herein as “NXP”, “NXP Semiconductors”, “we”, “our”, “us” and the “Company”) is a global semiconductor company incorporated in the Netherlands as a Dutch public company with limited liability (*naamloze vennootschap*). We provide leading High Performance Mixed Signal and, up to February 6, 2017, Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in radio frequency, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of application areas including: automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer, computing and software solutions for mobile phones.

On December 6, 2018, NXP B.V., together with NXP Funding LLC, issued \$1 billion of 4.875% Senior Unsecured Notes due March 1, 2024, \$500 million of 5.350% Senior Unsecured Notes due March 1, 2026 and \$500 million of 5.550% Senior Unsecured Notes due December 1, 2028. NXP used a portion of the net proceeds from the offering of these notes to repay the Bridge Loan, as described below. NXP intends to use the remaining proceeds for general corporate purposes, which may include the repurchase of additional shares of its stock.

On September 19, 2018, NXP B.V., together with NXP Funding LLC, entered into a \$1 billion senior unsecured bridge term credit facility agreement under which an aggregate principal amount of \$1 billion of term loans (the “Bridge Loan”) was borrowed. The Bridge Loan was to mature on September 18, 2019 and the interest at a LIBOR rate plus an applicable margin of 1.5 percent. NXP used the net proceeds of the Bridge Loan for general corporate purposes as well as to finance a portion of its announced equity buy-back program. On December 6, 2018, the Bridge Loan was repaid in full, as described above.

On September 10, 2018, NXP announced the initiation of a Quarterly Dividend Program under which the Company will pay a regular quarterly cash dividend. Accordingly, interim dividends of \$0.25 per ordinary share were paid on October 5, 2018 and January 7, 2019.

On July 26, 2018, NXP received notice from Qualcomm Incorporated (“Qualcomm”) that Qualcomm had terminated, effective immediately, the purchase agreement between NXP and an affiliate of Qualcomm following the inability to obtain the required approval for the transaction from the State Administration for Market Regulation (SAMR) of the People’s Republic of China prior to the end date stipulated by the parties under the purchase agreement.

On July 26, 2018, NXP received \$2 billion in termination compensation per the terms of the purchase agreement. Effective July 26, 2018, subsequent to the termination of the Purchase Agreement, the board of directors of NXP, as authorized by its annual general meeting of shareholders on June 22, 2018 (the “June 2018 AGM”), authorized the repurchase of \$5 billion of the Company’s stock. Using the same authorization by the June 2018 AGM, the Board of Directors of NXP authorized the additional repurchase of approximately 15 million shares effective November 1, 2018. As of year-end 2018, NXP repurchased 54.4 million shares, for a total of approximately \$5 billion. On November 16, 2018, the Company, as authorized by its June 2018 AGM, cancelled 5% (representing 17,300,143 shares) of the issued number of NXP shares. As a result, the number of issued NXP shares as per November 16, 2018 is 328,702,719 shares.

On June 14, 2016, NXP announced an agreement to divest its Standard Products (“SP”) business to a consortium of financial investors consisting of Beijing JianGuang Asset Management Co., Ltd (“JAC Capital”) and Wise Road Capital LTD (“Wise Road Capital”). On February 6, 2017, we divested SP (subsequently named “Nexperia”), receiving \$2.6 billion in cash proceeds, net of cash divested.

## **2 Significant Accounting Policies**

The Consolidated Financial Statements include the accounts of the Company together with its consolidated subsidiaries, including NXP B.V. and all entities in which the Company holds a direct or indirect controlling interest, in such a way that the Company would have the power to direct the activities of the entity that most significantly impact the entity’s economic performance and the obligation to absorb the losses or the right to receive benefits of the entity that could be potentially significant to the Company. Investments in companies in which the Company exercises significant influence but does not control, are accounted for using the equity method. The Company’s share of the net income of these companies is included in results relating to equity-accounted investees in the Consolidated Statements of Operations.

All intercompany balances and transactions have been eliminated in the Consolidated Financial Statements. Net income (loss) includes the portion of the earnings of subsidiaries applicable to non-controlling interests. The income (loss) and equity attributable to non-controlling interests are disclosed separately in the Consolidated Statements of Operations and in the Consolidated Balance Sheets under non-controlling interests.

Certain items previously reported have been reclassified to conform to the current period presentation.

### *Use of estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Fair value measurements*

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for an identical asset or liability, we develop assumptions based on market observable data and, in the absence of such data, utilize internal information that we consider to be consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Priority is given to observable inputs. These two types of inputs form the basis for the following fair value hierarchy.

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and valuations based on models where the inputs or significant value drivers are observable, either directly or indirectly.
- Level 3: Significant inputs to the valuation model are unobservable.

### *Foreign currencies*

The Company uses the U.S. dollar as its reporting currency. The functional currency of the holding company is the U.S. dollar. As of January 1, 2017, as a result of internal reorganizations, NXP changed the functional currency of the principal Netherlands subsidiary to the U.S. dollar. For consolidation purposes, the financial statements of the entities within the Company with a functional currency other than the U.S. dollar, are translated into U.S. dollars. Assets and liabilities are translated using the exchange rates on the applicable balance sheet dates. Income and expense items in the statements of operations, statements of comprehensive income and statements of cash flows are translated at monthly exchange rates in the periods involved.

The effects of translating the financial position and results of operations from functional currencies to reporting currency are recognized in other comprehensive income and presented as a separate component of accumulated other comprehensive income (loss) within stockholders' equity. If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is recorded under non-controlling interests.

The following table sets out the exchange rates for U.S. dollars into euros applicable for translation of NXP's financial statements for the periods specified.

	S per € 1			
	period end	average(1)	high	low
2018	1.1451	1.1794	1.1352	1.2431
2017	1.1932	1.1310	1.0474	1.1932
2016	1.0474	1.1065	1.0474	1.1423

(1) The average of the noon-buying rate at the end of each fiscal month during the period presented.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations, except when the foreign exchange exposure is part of a qualifying cash flow or net investment hedge accounting relationship, in which case the related foreign exchange gains and losses are recognized directly in other comprehensive income to the extent that the hedge is effective and presented as a separate component of accumulated other comprehensive income (loss) within stockholders' equity. To the extent that the hedge is ineffective, such differences are recognized in the statement of operations. Currency gains and losses on intercompany loans that have the nature of a permanent investment are recognized as translation differences in other comprehensive income and are presented as a separate component of accumulated other comprehensive income (loss) within equity.

### *Derivative financial instruments including hedge accounting*

The Company uses derivative financial instruments in the management of its foreign currency risks and the input costs of gold for a portion of our anticipated purchases within the next 12 months.

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate, and records these as assets or liabilities in the balance sheet. Changes in the fair values are immediately recognized in the statement of operations unless cash flow hedge accounting is applied.

Changes in the fair value of a derivative that is highly effective and designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item. The application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of the Company.

Foreign currency gains or losses arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly in other comprehensive income, to the extent that the hedge is effective, and are presented as a separate component of accumulated other comprehensive income (loss) within stockholders' equity.

To the extent that a hedge is ineffective, the ineffective portion of the fair value change is recognized in the Consolidated Statements of Operations. When the hedged net investment is disposed of, the corresponding amount in the accumulated other comprehensive income is transferred to the statement of operations as part of the profit or loss on disposal.

On initial designation of the hedge relationship between the hedging instrument and hedged item, the Company documents this relationship, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

When cash flow hedge accounting is discontinued because it is not probable that a forecasted transaction will occur within a period of two months from the originally forecasted transaction date, the Company continues to carry the derivative on the Consolidated Balance Sheets at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings. In situations in which hedge accounting is discontinued, the Company continues to carry the derivative at its fair value on the Consolidated Balance Sheets, and recognizes any changes in its fair value in earnings.

The gross notional amounts of the Company's foreign currency derivatives by currency were as follows:

	2018	2017
Euro	1,100	696
Chinese renminbi	127	132
Japanese yen	21	29
Malaysian ringgit	82	89
Singapore dollar	57	64
Swiss franc	25	34
Taiwan dollar	102	122
Thai baht	75	68
Other	51	16

#### ***Cash and cash equivalents***

Cash and cash equivalents include all cash balances and short-term highly liquid investments with a maturity of three months or less at acquisition that are readily convertible into known amounts of cash. Cash and cash equivalents are stated at face value which approximates fair value.

#### ***Receivables***

Receivables are carried at amortized cost, net of allowances for doubtful accounts and net of rebates and other contingent discounts granted to distributors. When circumstances indicate a specific customer's ability to meet its financial obligation to us is impaired, we record an allowance against amounts due and value the receivable at the amount reasonably expected to be collected. For all other customers, we evaluate our trade accounts receivable for collectibility based on numerous factors including objective evidence about credit-risk concentration, collective debt risk based on average historical losses, and specific circumstances such as serious adverse economic conditions in a specific country or region.

#### ***Inventories***

Inventories are stated at the lower of cost or market, less advance payments on work in progress. The cost of inventories is determined using the first-in, first-out (FIFO) method. An allowance is made for the estimated losses due to obsolescence. This allowance is determined for groups of products based on purchases in the recent past and/or expected future demand and market conditions. Abnormal amounts of idle facility expense and waste are not capitalized in inventory. The allocation of fixed production overheads to the inventory cost is based on the normal capacity of the production facilities.

### ***Property, plant and equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the expected economic life of the asset. Depreciation of special tooling is also based on the straight-line method unless a depreciation method other than the straight-line method better represents the consumption pattern. Gains and losses on the sale of property, plant and equipment are included in other income and expense. Plant and equipment under capital leases are initially recorded at the lower of the fair value of the leased property or the present value of minimum lease payments. These assets and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

### ***Goodwill***

We record goodwill when the purchase price of an acquisition exceeds the fair value of the net tangible and identified intangible assets acquired. We assign the goodwill to our reporting units based on the relative expected fair value provided by the acquisition. We perform an annual impairment assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, which includes evaluating qualitative and quantitative factors to assess the likelihood of an impairment of a reporting unit's goodwill. We perform impairment tests using a fair value approach when necessary. The reporting unit's carrying value used in an impairment test represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments and debt.

### ***Identified intangible assets***

Licensed technology and patents are generally amortized on a straight-line basis over the periods of benefit. We amortize all acquisition-related intangible assets that are subject to amortization over their estimated useful life based on economic benefit. Acquisition-related in-process R&D assets represent the fair value of incomplete R&D projects that had not reached technological feasibility as of the date of acquisition; initially, these assets are not subject to amortization. Assets related to projects that have been completed are subject to amortization, while assets related to projects that have been abandoned are impaired and expensed to R&D. In the quarter following the period in which identified intangible assets become fully amortized, we remove the fully amortized balances from the gross asset and accumulated amortization amounts.

We perform a quarterly review of finite-lived identified intangible assets to determine whether facts and circumstances indicate that the useful life is shorter than we had originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If an asset's useful life is shorter than originally estimated, we accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life. We perform an annual impairment assessment in the fourth quarter of each year for indefinite-lived intangible assets, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the carrying value of the assets may not be recoverable. If necessary, a quantitative impairment test is performed to compare the fair value of the indefinite-lived intangible asset with its carrying value. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets.

### ***Dividends to shareholders***

Dividends to the Company's shareholders are charged to retained earnings when the dividends are approved.

### ***Stock repurchases and retirement***

For each reacquisition of common stock, the number of shares and the acquisition price for those shares is added to the existing treasury stock count and total value. When treasury shares are retired, the Company's policy is to allocate the excess of the repurchase price over the par value of shares acquired to both Retained Earnings and Capital in Excess of Par. The portion allocated to Capital in Excess of Par is calculated by applying a percentage, determined by dividing the number of shares to be retired by the number of shares issued, to the balance of Capital in Excess of Par as of the retirement date.

### ***Research and development***

Costs of research and development are expensed in the period in which they are incurred, except for in-process research and development assets acquired in business combinations, which are capitalized and, after completion, are amortized over their estimated useful lives.

### ***Advertising***

Advertising costs are expensed when incurred.

**Debt issuance costs**

Direct costs incurred to obtain financings are capitalized and subsequently amortized over the term of the debt using the effective interest rate method. Upon extinguishment of any related debt, any unamortized debt issuance costs are expensed immediately.

**Revenue recognition**

The Company recognizes revenue under the core principle to depict the transfer of control to customers in an amount reflecting the consideration the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The vast majority of the Company's revenue is derived from the sale of semiconductor products to distributors, Original Equipment Manufacturers ("OEMs") and similar customers. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the consideration to which the Company expects to be entitled. Variable consideration is estimated and includes the impact of discounts, price protection, product returns and distributor incentive programs. The estimate of variable consideration is dependent on a variety of factors, including contractual terms, analysis of historical data, current economic conditions, industry demand and both the current and forecasted pricing environments. The process of evaluating these factors requires estimates, including, but not limited to, forecasted demand, returns, pricing assumptions and inventory levels. The estimate of variable consideration is not constrained because the Company has extensive experience with these contracts.

Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, and whether risks and rewards of ownership having transferred to the customer.

For sales to distributors, revenue is recognized upon transfer of control to the distributor. For some distributors, contractual arrangements are in place which allow these distributors to return products if certain conditions are met. These conditions generally relate to the time period during which a return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product life cycle, when certain distributors are permitted to return products purchased during a pre-defined period after the Company has announced a product's pending discontinuance. These return rights are a form of variable consideration and are estimated using the most likely method based on historical return rates in order to reduce revenues recognized. However, long notice periods associated with these announcements prevent significant amounts of product from being returned. For sales where return rights exist, the Company has determined, based on historical data, that only a very small percentage of the sales of this type to distributors is actually returned. Repurchase agreements with OEMs or distributors are not entered into by the Company.

Sales to most distributors are made under programs common in the semiconductor industry whereby distributors receive certain price adjustments to meet individual competitive opportunities. These programs may include credits granted to distributors, or allow distributors to return or scrap a limited amount of product in accordance with contractual terms agreed upon with the distributor, or receive price protection credits when our standard published prices are lowered from the price the distributor paid for product still in its inventory. In determining the transaction price, the Company considers the price adjustments from these programs to be variable consideration that reduce the amount of revenue recognized. The Company's policy is to estimate such price adjustments using the most likely method based on rolling historical experience rates, as well as a prospective view of products and pricing in the distribution channel for distributors who participate in our volume rebate incentive program. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in pricing environments and inventory levels. The estimates are also adjusted when recent historical data does not represent anticipated future activity. Historically, actual price adjustments for these programs relative to those estimated have not materially differed.

**Restructuring**

The provision for restructuring relates to the estimated costs of initiated restructurings that have been approved by Management. When such plans require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are recorded at fair value when the liability has been incurred. The Company determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices. The restructuring liability includes the estimated cost of termination benefits provided to former or inactive employees after employment but before retirement, costs to terminate leases and other contracts, and selling costs associated with assets held for sale and other costs related to the closure of facilities. One-time employee termination benefits are recognized ratably over the future service period when those employees are required to render services to the Company, if that period exceeds 60 days or a longer legal notification period. However, generally, employee termination benefits are covered by a contract or an ongoing benefit arrangement and are recognized when it is probable that the employees will be entitled to the benefits and the amounts can be reasonably estimated.

**Other income (expense)**

Other income (expense) primarily consists of gains and losses related to divestment of activities and subsidiaries, as well as gains and losses related to the sale of long-lived assets and other non-core operating items.



### ***Financial income and expense***

Financial income and expense is comprised of interest income on cash and cash equivalent balances, the interest expense on borrowings, the accretion of the discount or premium on issued debt, the gain or loss on the disposal of financial assets, impairment losses on financial assets and gains or losses on hedging instruments recognized in the statement of operations.

Borrowing costs that are not directly attributable to the acquisition, construction or production of property, plant and equipment are recognized in the statement of operations using the effective interest method.

### ***Income taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Measurement of deferred tax assets and liabilities is based upon the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax liabilities for income taxes or withholding taxes on dividends from subsidiaries are recognized in situations where the company does not consider the earnings indefinitely reinvested and to the extent that the withholding taxes are not expected to be refundable.

Deferred tax assets, including assets arising from loss carryforwards, are recognized, net of a valuation allowance, if based upon the available evidence it is more likely than not that the asset will be realized.

The income tax benefit from a tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities. The income tax benefit recognized is measured based on the largest benefit that is more than 50 percent likely to be realized upon resolution of the uncertainty. A liability for unrecognized tax benefits and the related interest and penalties is recorded under accrued liabilities and other non-current liabilities in the balance sheet based on the timing of the expected payment. Penalties related to income taxes are recorded as income tax expense, whereas interest is reported as financial expense in the statement of operations.

### ***Postretirement benefits***

The Company's employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other postretirement benefits and related assets and liabilities with respect to the Company's employees participating in the various plans are based upon actuarial valuations.

Some of the Company's defined-benefit pension plans are funded with plan assets that have been segregated and restricted in a trust, foundation or insurance company to provide for the pension benefits to which the Company has committed itself.

The net liability or asset recognized in the balance sheet in respect of the postretirement plans is the present value of the projected benefit obligation less the fair value of plan assets at the balance sheet date. Most of the Company's plans are unfunded and result in a provision or a net liability.

For the Company's major plans, the discount rate is derived from market yields on high quality corporate bonds. Plans in countries without a deep corporate bond market use a discount rate based on the local government bond rates.

Benefit plan costs primarily represent the increase in the actuarial present value of the obligation for benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets and net of employee contributions.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognized in the statement of operations, over the expected average remaining service periods of the employees only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets at the end of the previous year (the corridor). Events which invoke a curtailment or a settlement of a benefit plan will be recognized in our statement of operations.

In calculating obligation and expense, the Company is required to select actuarial assumptions. These assumptions include discount rate, expected long-term rate of return on plan assets, assumed health care trend rates and rates of increase in compensation costs determined based on current market conditions, historical information and consultation with and input from our actuaries. Changes in the key assumptions can have a significant impact to the projected benefit obligations, funding requirements and periodic cost incurred.

Unrecognized prior-service costs related to the plans are amortized to the statements of operations over the average remaining service period of the active employees.

Contributions to defined-contribution and multi-employer pension plans are recognized as an expense in the statements of operations as incurred.

The Company determines the fair value of plan assets based on quoted prices or comparable prices for non-quoted assets. For a defined-benefit pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement defined benefit plan it is the accumulated postretirement benefit obligation.

The Company recognizes as a component of other comprehensive income, net of taxes, the gains or losses and prior service costs that arise during the year but are not recognized as a component of net periodic benefit cost. Amounts recognized in accumulated other comprehensive income, including the gains or losses and the prior services costs are adjusted as they are subsequently recognized as components of net periodic benefit costs.

For all of the Company's postretirement benefit plans, the measurement date is December 31, our year-end.

#### ***Share-based compensation***

We recognize compensation expense for all share-based awards based on the grant-date estimated fair values, net of an estimated forfeiture rate. We use the Black-Scholes option pricing model to determine the estimated fair value for certain awards. Share-based compensation cost for restricted share units ("RSU"s) with time-based vesting is measured based on the closing fair market value of our common stock on the date of the grant, reduced by the present value of the estimated expected future dividends, and then multiplied by the number of RSUs granted. Share-based compensation cost for performance-based share units ("PSU"s) granted with performance or market conditions is measured using a Monte Carlo simulation model on the date of grant.

The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods in our Consolidated Statements of Operations. For stock options and RSUs, the grant-date value, less estimated pre-vest forfeitures, is expensed on a straight-line basis over the vesting period. PSUs are expensed using a graded vesting schedule. The vesting period for stock options is generally four years, for RSUs is generally three years and PSUs is one to three years.

#### ***Earnings per share***

Basic earnings per share attributable to stockholders is calculated by dividing net income or loss attributable to stockholders of the Company by the weighted average number of common shares outstanding during the period.

To determine diluted share count, we apply the treasury stock method to determine the dilutive effect of outstanding stock option shares, RSUs, PSUs and Employee Stock Purchase Plan ("ESPP") shares. Under the treasury stock method, the amount the employee must pay for exercising share-based awards and the amount of compensation cost for future service that the Company has not yet recognized are assumed to be used to repurchase shares.

#### ***Concentration of risk***

Financial instruments, including derivative financial instruments, that may potentially subject NXP to concentrations of credit risk, consist principally of cash and cash equivalents, short-term investments, long-term investments, accounts receivable and forward contracts.

We sell our products to OEMs and to distributors in various markets, who resell these products to OEMs, or their subcontract manufacturers. One of our distributors accounted for 14% of our revenue in 2018, 15% in 2017 and 13% in 2016. One other distributor accounted for 10% of our revenue in 2018 and less than 10% of our revenue in 2017 and 2016. No other distributor accounted for greater than 10% of our revenue for 2018, 2017 or 2016. One OEM for which we had direct sales to accounted for 11% of our revenue in 2018, 11% in 2017 and less than 10% in 2016. No other individual OEM for which we had direct sales to accounted for more than 10% of our revenue for 2018, 2017 or 2016.

Credit exposure related to NXP's foreign currency forward contracts is limited to the realized and unrealized gains on these contracts.

NXP is party to certain hedge transactions related to its 2019 Cash Convertible Senior Notes. NXP is subject to the risk that the counterparties to these transactions may not be able to fulfill their obligations under these hedge transactions.

NXP purchased options and issued warrants to hedge potential cash payments in excess of the principal and contractual interest related to its 2019 Cash Convertible Senior Notes, which were issued during fiscal 2014. The 2019 Cash Convertible Senior Note hedges are adjusted to fair value each reporting period and unrealized gains and losses are reflected in NXP's Consolidated Statements of Operations. Because the fair value of the 2019 Cash Convertible Senior Notes embedded conversion derivative and the 2019 Cash Convertible Senior Notes hedges are designed to have similar offsetting values, there was no impact to NXP's Consolidated Statements of Operations relating to these adjustments to fair value.

The Company is using outside suppliers or foundries for a portion of its manufacturing capacity.

We have operations in Europe and Asia subject to collective bargaining agreements which could pose a risk to the Company in the near term but we do not expect that our operations will be disrupted if such is the case.

### ***Accounting standards adopted in 2018***

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), as modified by subsequently issued ASUs, which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The Company adopted this standard on January 1, 2018, using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Comparative information for prior periods has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative effect of initially applying the new standard was recognized as a net increase of \$14 million to the opening balance of retained earnings, driven from the acceleration of revenue recognition for contracts with products that have no alternative use and an enforceable right to payment for performance completed to date. We expect the impact of the adoption to be immaterial to our net income on an ongoing basis.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). The new standard requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The new standard became effective for us on January 1, 2018. The adoption of this guidance did not have a material impact on our financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash flow, and other Topics. ASU 2016-15 became effective for us on January 1, 2018. The adoption of this guidance did not have a material impact on our statement of cash flows.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. ASU 2017-01 introduces a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated as a business. ASU 2017-01 became effective for us on January 1, 2018. The adoption of this guidance did not have a material impact on our financial position or results of operations.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“net benefit cost”). The ASU requires that the service cost component be presented separately from the other components of net benefit cost. Services costs should be presented with other employee compensation costs within operations or capitalized in inventory or other assets in accordance to the company’s accounting policies. The other components of net benefit costs should be presented separately outside of a subtotal of income from operations, if one is presented. ASU 2017-07 became effective for us on January 1, 2018. The adoption of this guidance did not have a material impact on our financial position or results of operations.

### ***New standards to be adopted after 2018***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance, including guidance for real estate, is replaced with a new model applicable to both lessees and lessors. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 842): Targeted Improvements. ASU 2018-11 clarifies narrow aspects of Topic 842 and is not expected to have a significant effect on entities applying Topic 842. ASU 2018-11 provides entities with an additional transition method to adopt the new leases standard. Under the new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The new standard will be effective for us on January 1, 2019, and the Company will apply the new transition method in ASU 2018-11. The Company elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The most significant impact of adopting ASC 842 will relate to recording lease asset and related liabilities on our balance sheet, which the Company does not expect to have a material impact on our financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, the one step quantitative impairment test calculates goodwill impairment as the excess of the carrying value of a reporting unit over its fair value, up to the carrying value of the goodwill. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. The ASU should be applied on a prospective basis. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvement to Accounting for Hedging Activities. ASU 2017-12 simplifies certain aspects of hedge accounting and improves disclosures of hedging arrangements through the elimination of the requirement to separately measure and report hedge ineffectiveness. The ASU generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. Entities must apply the amendments to cash flow and net investment hedge relationships that exist on the date of adoption using a modified retrospective approach. The presentation and disclosure requirements must be applied prospectively. ASU 2017-12 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

In August 2018, the FASB issued ASU 2018-13, Fair Value measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 removes certain disclosure requirements, including the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. ASU 2018-13 also adds disclosure requirements, including changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019, with early adoption permitted. The amendments on changes in unrealized gains and losses, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company does not expect the adoption of this guidance to have a material impact on our financial statement disclosures.

In August 2018, the FASB issued ASU 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans. ASU 2018-14 removes disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. ASU 2018-14 should be applied on a retrospective basis to all periods presented and is effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on our financial statement disclosures.

In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. ASU 2018-15 requires a customer in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. Therefore, a customer in a hosting arrangement that is a service contract determines which project stage an implementation activity relates to. Costs for implementation activities in the application development stage are capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post-implementation stages are expensed as the activities are performed. ASU 2018-15 also requires the customer to expense the capitalized implementation costs over the term of the hosting arrangement, and to apply the existing impairment guidance in Subtopic 350-40 to the capitalized implementation costs as if the costs were long-lived assets. ASU 2018-15 can be applied either retrospectively or prospectively and is effective for annual reporting periods beginning after December 15, 2019, and interim periods therein, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

### **3 Acquisitions and Divestments**

#### **2018**

There were no material acquisitions during 2018. On July 10, 2018, NXP completed the sale of its 40% equity interest of Suzhou ASEN Semiconductors Co., Ltd. to J&R Holding Limited, receiving \$127 million in cash proceeds. The net gain realized on the sale of \$51 million is included in the Statement of Operations in the line item “Results relating to equity-accounted investees”.

In June 2018, NXP completed the sale of 24% of its equity interest in WeEn to Tianjin Ruixin Semiconductor Industry Investment Centre LLP, receiving \$32 million in cash proceeds. At December 31, 2018, due to the intended sale of the remaining interest in WeEn, NXP transferred the remaining holding to other current assets.

#### **2017**

There were no material acquisitions during 2017. On April 19, 2017, we sold our shares in Advanced Semiconductor Manufacturing Corporation Ltd. (ASMC), representing a 27.47 percent ownership, for a total consideration of \$54 million. The gain on the sale of \$31 million is included in the Statement of Operations in the line item “Results relating to equity-accounted investees”.

On February 6, 2017, we divested our Standard Products (“SP”) business to a consortium of financial investors consisting of Beijing JianGuang Asset Management Co., Ltd (“JAC Capital”) and Wise Road Capital LTD (“Wise Road Capital”), receiving \$2.6 billion in cash proceeds, net of cash divested. Prior to February 6, 2017, the results of the SP business were included in the reportable segment SP.

The gain on the sale of \$1,597 million is included in the Statement of Operations in the line item "Other income (expense)" and is composed of the following:

Total cash consideration	2,750	
Assets held for sale	(1,117)	
Cash divested	(138)	
Liabilities held for sale	199	
Other adjustments	(69)	
Transaction costs	(28)	
Gain		1,597

## 2016

There were no material divestments during 2016. On August 8, 2016, we acquired a business for \$200 million. The total purchase price has been allocated to goodwill (\$14 million), other intangible assets (\$177 million), inventories (\$8 million) and tangible fixed assets (\$1 million). The other intangible assets relate to core technology (\$172 million) with an amortization period of 7 years and existing technology (\$5 million) with an amortization period of 2 years.

## 4 Supplemental Financial Information

### Statement of Operations Information

#### Disaggregation of revenue

The following table presents revenue disaggregated by sales channel:

	2018	2017 <sup>1)</sup>	2016 <sup>1)</sup>
Distributors	4,865	4,734	4,644
Original Equipment Manufacturers and Electronic Manufacturing Services	4,157	4,129	4,662
Other <sup>2)</sup>	385	393	192
Total	9,407	9,256	9,498

<sup>1)</sup> As noted above, prior period amounts have not been adjusted for the impact of adopting ASC 606 under the modified retrospective method.

<sup>2)</sup> Represents revenues in Corporate and Other for other services.

#### Depreciation, amortization and impairment

Depreciation and amortization, including impairment charges, are as follows:

	2018	2017	2016
Depreciation of property, plant and equipment	478	611	609
Amortization of internal use software	8	21	24
Amortization of other identified intangible assets (*)	1,501	1,541	1,572
	1,987	2,173	2,205

(\*) For the period ending December 31, 2017, the amount includes IPR&D impairment charges of \$23 million, of which \$16 million related to assets acquired from Freescale. For the period ending December 31, 2016, the amount included impairment charges relative to IPR&D acquired as part of the acquisition of Freescale of \$89 million.

Depreciation of property, plant and equipment is primarily included in cost of revenue.

#### Other income (expense)

	2018	2017	2016
Result on disposal of businesses	39	1,572	8
Result on disposal of properties	1	1	1
Other income (expense)	1,961	2	-
	2,001	1,575	9

### Financial income (expense)

	2018	2017	2016
Interest income	48	27	11
Interest expense	(273)	(310)	(408)
Total interest expense, net	(225)	(283)	(397)
Net gain (loss) on extinguishment of debt	(26)	(41)	(32)
Foreign exchange rate results	(14)	(30)	(15)
Miscellaneous financing costs/income, net (*)	(70)	(12)	(9)
Total other financial income (expense)	(110)	(83)	(56)
Total	(335)	(366)	(453)

(\*) For the period ending December 31, 2018, the amount includes one-time charges (\$60 million) on certain financial instruments for compensation related to an adjustment event required by the termination of the Qualcomm Purchase Agreement.

### Equity-accounted investees

Results related to equity-accounted investees at the end of each period were as follows:

	2018	2017	2016
Company's share in income (loss)	7	17	11
Other results	52	36	-
	59	53	11

The total carrying value of investments in equity-accounted investees is summarized as follows:

	2018		2017	
	Shareholding %	Amount	Shareholding %	Amount
ASEN	-	-	40	66
WeEn	-	-	49	65
Others		13		15
		13		146

Investments in equity-accounted investees are included in Corporate and Other.

In July 2018, we completed the sale of our 40% equity interest in Suzhou ASEN Semiconductors Co., Ltd., receiving \$127 million in cash proceeds.

In June 2018, we completed the sale of 24% of our equity interest in WeEn, receiving \$32 million in cash proceeds. At December 31, 2018, due to the intended sale of the remaining interest in WeEn, NXP transferred the remaining holding to other current assets.

On April 19, 2017, we sold our shares in Advanced Semiconductor Manufacturing Corporation Ltd. (ASMC), representing a 27.47 percent ownership, for a total consideration of \$54 million. The gain on the sale of \$31 million is included in the Statement of Operations in the line item "Results relating to equity-accounted investees".

### Balance Sheet Information

#### Cash and cash equivalents

At December 31, 2018 and December 31, 2017, our cash balance was \$2,789 million and \$3,547 million, respectively, of which \$140 million and \$250 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner. During 2018, a dividend of \$139 million (2017: \$228 million) has been paid by SSMC.

### 5 Restructuring Charges

At each reporting date, we evaluate our restructuring liabilities, which consist primarily of termination benefits, to ensure that our accruals are still appropriate. During 2018 and 2017, there were no new restructuring programs.

During 2016, we recognized \$52 million of employee severance costs in our restructuring liabilities, which was primarily related to specific targeted actions.

The following table presents the changes in the position of restructuring liabilities in 2018 by segment:

	Balance January 1, 2018	Additions	Utilized	Released	Other changes(1)	Balance December 31, 2018
HPMS	86	5	(25)	-	(4)	62
Corporate and Other	3	-	-	-	-	3
	89	5	(25)	-	(4)	65

(1) Other changes primarily related to translation differences and internal transfers.

The total restructuring liability as of December 31, 2018 of \$65 million is classified in the balance sheet under current liabilities (\$60 million) and non-current liabilities (\$5 million).

The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs the Company initiated in earlier years.

The following table presents the changes in the position of restructuring liabilities in 2017 by segment:

	Balance January 1, 2017	Additions	Utilized	Released	Other changes(1)	Balance December 31, 2017
HPMS	148	7	(65)	(16)	12	86
SP	3	-	-	-	(3)	-
Corporate and Other	-	-	-	-	3	3
	151	7	(65)	(16)	12	89

(1) Other changes primarily related to translation differences and internal transfers.

The total restructuring liability as of December 31, 2017 of \$89 million is classified in the balance sheet under current liabilities (\$74 million) and non-current liabilities (\$15 million).

The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs the Company initiated in earlier years.

The components of restructuring charges less releases recorded in the liabilities in 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Personnel lay-off costs	4	7	52
Other exit costs	2	10	19
Release of provisions/accruals	-	(16)	(3)
Net restructuring charges	6	1	68

The restructuring charges less releases recorded in operating income are included in the following line items in the statement of operations:

	2018	2017	2016
Cost of revenue	-	3	18
Selling, general and administrative	7	10	9
Research & development	-	(12)	41
Other income (expense)	(1)	-	-
Net restructuring charges	6	1	68

## 6 Income Taxes

In 2018, NXP generated income before income taxes of \$2,375 million (2017: income of \$1,736 million; 2016: loss of \$603 million). The components of income (loss) before income taxes are as follows:

	2018	2017	2016
Netherlands	2,570	1,679	537
Foreign	(195)	57	(1,140)
	2,375	1,736	(603)

The components of the benefit (expense) for income taxes are as follows:

	2018	2017	2016
<b>Current taxes:</b>			
Netherlands	(296)	(179)	(7)
Foreign	(91)	(135)	(67)
	(387)	(314)	(74)
<b>Deferred taxes:</b>			
Netherlands	2	(259)	205
Foreign	209	1,056	720
	211	797	925
<b>Total benefit (expense) for income taxes</b>	<b>(176)</b>	<b>483</b>	<b>851</b>

A reconciliation of the statutory income tax rate in the Netherlands as a percentage of income (loss) before income taxes and the effective income tax rate is as follows:

(in percentages)	2018	2017	2016
Statutory income tax in the Netherlands	25.0	25.0	25.0
Rate differential local statutory rates versus statutory rate of the Netherlands	0.8	(4.5)	24.2
Net change in valuation allowance	0.4	1.1	72.6
Non-deductible expenses/losses	2.7	2.2	(7.0)
Sale of non-deductible goodwill	-	3.8	-
The U.S. Tax Cuts and Jobs Act	(0.1) 1)	(42.3)	-
Tax on gains related to internal corporate reorganization transaction	-	-	(10.3)
Netherlands tax incentives	(10.6)	(7.5)	17.9
Foreign tax incentives	(3.7)	(4.7)	13.0
Adjustments of prior years' income taxes	(3.5)	(0.3)	0.1
Other differences	(3.6)	(0.6)	5.6
<b>Effective tax rate</b>	<b>7.4%</b>	<b>(27.8%)</b>	<b>141.1%</b>

1) This is only relating to the 2017 income tax provision.

We recorded an income tax expense of \$176 million in 2018, which reflects an effective tax rate of 7.4% compared to a benefit of \$483 million (27.8%) in 2017. The effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate, adjustments of prior years' income taxes and the mix of income and losses in various jurisdictions. The impact of these items results in offsetting factors that attribute to the change in the effective tax rate between the two periods, with the significant drivers outlined below:

- The U.S. Tax Cuts and Jobs Act is the primary driver for the change between the two periods as a result of the one-time benefit of \$734 million we received in 2017, which only had an impact of an additional income tax benefit of \$3 million in 2018.
- The Netherlands tax incentives increased in 2018 due to the fact that NXP reached an agreement with the Dutch tax authorities relative to the application of the Dutch innovation box regime to the taxable income attributable to the Netherlands. In addition to this, in 2018, NXP received a break-up fee from Qualcomm of \$2,000 million which helped drive a higher income before tax in 2018 than in 2017, even though in 2017 NXP had realized a gain of \$1,597 million on the divestment of SP business.
- The adjustments to prior years' income taxes increased in 2018 as a result of the aforementioned agreement which is effective from January 1, 2017. As such, the Company was able to refine its estimate of the Dutch tax liability, recognizing an additional income tax benefit of \$67 million in 2018.
- The other differences in 2018 relate primarily to a tax benefit on the liquidation of a former investment of \$45 million.

On December 22, 2017, the President of the United States signed into law what is informally called the Tax Cuts and Jobs Act, a comprehensive U.S. tax reform package that was effective January 1, 2018. Under the accounting rules, companies are required to recognize the effects of changes in tax laws and tax rates on deferred tax assets and liabilities in the period in which the new legislation is enacted. The effects of the Tax Cuts and Jobs Act on NXP's 2017 Financial Statements was an income tax benefit of \$734 million. In Q4 2018, the analysis of the enactment date impact of the Tax Cuts and Jobs Act was finalized. Accordingly, an additional income tax benefit of \$3 million was recorded in the year ended December 31, 2018.



The Company benefits from income tax holidays in certain jurisdictions which provide that we pay reduced income taxes in those jurisdictions for a fixed period of time that varies depending on the jurisdiction. The predominant income tax holiday is expected to expire at the end of 2026. The impact of this tax holiday decreased foreign income taxes by \$21 million in 2018 (2017: \$23 million; 2016: \$24 million). The benefit of this tax holiday on net income per share (diluted) was \$0.06 in 2018 (2017: \$0.07; 2016: \$0.07).

#### Deferred tax assets and liabilities

The principal components of deferred tax assets and liabilities are presented below:

	2018	2017
Operating loss and tax credit carryforwards	598	621
Disallowed interest carryforwards	117	156
Other accrued liabilities	83	100
Pensions	83	93
Share-based compensation	18	25
Restructuring liabilities	12	16
Receivables	83	71
Inventories	2	3
Other assets	2	2
Total Gross Deferred Tax Assets	998	1,087
Valuation Allowance	(145)	(140)
Total Net Deferred Tax Assets	853	947
Intangible assets (including purchase accounting basis difference)	(867)	(1,161)
Undistributed earnings of foreign subsidiaries	(96)	(109)
Property, plant and equipment (including purchase accounting basis difference)	(47)	(54)
Total Deferred Tax Liabilities	(1,010)	(1,324)
Net Deferred Tax Position	(157)	(377)

The classification of the deferred tax assets and liabilities in the Company's Consolidated Balance Sheets is as follows:

	2018	2017
Deferred tax assets within other non-current assets	293	324
Deferred tax liabilities within non-current liabilities	(450)	(701)
	(157)	(377)

The Company has significant deferred tax assets resulting from net operating loss carryforwards, tax credit carryforwards and deductible temporary differences that may reduce taxable income or income taxes payable in future periods. Valuation allowances have been established for deferred tax assets based on a "more likely than not" threshold. The realization of our deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. The valuation allowance increased by \$5 million during 2018 (2017: \$13 million increase).

We consider all available evidence in forming a judgement regarding the valuation allowance as of December 31, 2018, including events that occur subsequent to year end but prior to the issuance of the financial statements. The deferred tax assets are recognized to the extent that we consider it more likely than not that these assets will be realized. In making such a determination, we consider all available positive and negative evidence, including reversal of existing temporary differences, projected future taxable income and tax planning strategies.

At December 31, 2018 tax loss carryforwards of \$795 million (inclusive of \$228 million of U.S. state tax losses) will expire as follows:

	Balance	Scheduled expiration							
	December 31, 2018	2019	2020	2021	2022	2023	2024-2028	later	unlimited
Tax loss carryforwards	795	22	6	1	16	3	129	181	437

The Company also has tax credit carryforwards of \$571 million (excluding the effect of unrecognized tax benefits), which are available to offset future tax, if any, and which will expire as follows:

	Balance	Scheduled expiration							
	December 31, 2018	2019	2020	2021	2022	2023	2024-2028	later	unlimited
Tax credit carryforwards	571	12	16	1	11	10	186	281	54

The net income tax payable (excluding the liability for unrecognized tax benefits) as of December 31, 2018 amounted to \$154 million (2017: net income tax receivable of \$59 million) and includes amounts directly receivable from or payable to tax authorities.

The Company does not indefinitely reinvest the undistributed earnings of its subsidiaries. Consequently, the Company has recognized a deferred tax liability of \$96 million at December 31, 2018 (2017: \$109 million) for the additional income taxes and withholding taxes payable upon the future remittances of these earnings of foreign subsidiaries.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2018	2017	2016
Balance as of January 1,	177	146	149
Translation differences	(4)	4	1
Decreases from activities which are held for sale	-	-	(7)
Increases from tax positions taken during prior periods	7	19	1
Decreases from tax positions taken during prior periods	(17)	-	(3)
Increases from tax positions taken during current period	7	10	9
Decreases relating to settlements with the tax authorities	(5)	(2)	(4)
Balance as of December 31,	165	177	146

Of the total unrecognized tax benefits at December 31, 2018, \$138 million, if recognized, would impact the effective tax rate. All other unrecognized tax benefits, if recognized, would not affect the effective tax rate as these would be offset by compensating adjustments in the Company's deferred tax assets that would be subject to valuation allowance based on conditions existing at the reporting date.

The Company classifies interest related to an underpayment of income taxes as financial expense and penalties as income tax expense. The total related interest and penalties recorded during the year 2018 amounted to a \$3 million benefit (expense 2017: \$6 million; 2016: \$2 million). As of December 31, 2018 the Company has recognized a liability for related interest and penalties of \$14 million (2017: \$17 million; 2016: \$12 million). It is reasonably possible that the total amount of unrecognized tax benefits may significantly increase/decrease within the next 12 months of the reporting date due to, for example, completion of tax examinations. It is estimated that this reasonably possible change will not be significant.

The Company files income tax returns in the Netherlands, the U.S.A. and in various other foreign jurisdictions. Tax filings of our subsidiaries are routinely audited in the normal course of business by tax authorities around the world. Tax years that remain subject to examination by major tax jurisdictions: the Netherlands (2015-2017), Germany (2004-2017), USA (2005-2017), China (2008-2017), Taiwan (2013-2017), Thailand (2013-2017), Malaysia (2011-2017) and India (2004-2017).

## 7 Earnings per Share

The computation of earnings per share (EPS) is presented in the following table:

	2018	2017	2016
Net income (loss)	2,258	2,272	259
Less: Net income (loss) attributable to non-controlling interests	50	57	59
Net income (loss) attributable to stockholders	2,208	2,215	200
Weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands)	325,781	338,646	338,477
Plus incremental shares from assumed conversion of:			
Options <sup>1)</sup>	1,145	4,517	5,582
Restricted Share Units, Performance Share Units and Equity Rights <sup>2)</sup>	1,680	2,639	3,548
Warrants <sup>3)</sup>	-	-	-
Dilutive potential common share	2,825	7,156	9,130
Adjusted weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands) <sup>1)</sup>	328,606	345,802	347,607
<i>EPS attributable to stockholders in \$:</i>			
Basic net income (loss)	6.78	6.54	0.59
Diluted net income (loss)	6.72	6.41	0.58

<sup>1)</sup> Stock options to purchase up to 0.1 million shares of NXP's common stock that were outstanding in 2018 (2017: 0.1 million shares; 2016: 1.4 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the exercise price was greater than the average fair market value of the common stock or the number of shares assumed to be repurchased using the

proceeds of unrecognized compensation expense and exercise prices was greater than the weighted average number of shares underlying outstanding stock options.

- 2) Unvested RSU's, PSU's and equity rights of 0.9 million shares that were outstanding in 2018 (2017: 0.7 million shares; 2016: 0.9 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the number of shares assumed to be repurchased using the proceeds of unrecognized compensation expense was greater than the weighted average number of outstanding unvested RSU's, PSU's and equity rights or the performance goal has not been met.
- 3) Warrants to purchase up to 11.2 million shares of NXP's common stock at a price of \$132.55 per share were outstanding in 2018 (2017: 11.2 million shares at a price of \$133.32; 2016: 11.2 million shares at a price of \$133.32). Upon exercise, the warrants will be net share settled. At the end of 2018, 2017 and 2016, the warrants were not included in the computation of diluted EPS because the warrants' exercise price was greater than the average fair market value of the common shares.

## 8 Share-based Compensation

Share-based compensation expense is included in the following line items in our statement of operations:

	2018	2017	2016
Cost of revenue	40	33	49
Research and development	133	122	123
Selling, general and administrative	141	126	166
	314	281	338

The income tax (expense) benefit recognized in net income related to share-based compensation expenses was \$27 million (includes \$4 million of excess tax benefits), \$51 million (includes \$27 million of excess tax benefits) and \$58 million for the years ended December 31, 2018, 2017 and 2016, respectively.

### Long Term Incentive Plans (LTIP's)

The LTIP was introduced in 2010 and is a broad-based long-term retention program to attract, retain and motivate talented employees as well as align stockholder and employee interests. The LTIP provides share-based compensation ("awards") to both our eligible employees and non-employee directors. Awards that may be granted include performance shares, stock options and restricted shares. On July 26, 2018, the Company granted PSU awards to certain executives of the Company with a performance measure of Relative Total Shareholder Return ("Relative TSR"). Each PSU, which cliff vests on the third anniversary of the date of grant, entitles the grant recipient to receive from 0 to 2 common shares for each of the target units awarded based on the Relative TSR of the Company's share price as compared to a set of peer companies. The Company estimates the fair value of the PSUs using a Monte Carlo valuation model, utilizing assumptions underlying the Black-Scholes methodology. The grant date fair value was \$121.37 per PSU. The fair value of the PSUs is recognized as compensation cost over the service period of 3 years. Awards granted generally will become fully vested upon a termination event occurring within one year following a change in control, as defined. A termination event is defined as either termination of employment or services other than for cause or constructive termination of resulting from a significant reduction in either the nature or scope of duties and responsibilities, a reduction in compensation or a required relocation. The number of shares authorized and available for awards at December 31, 2018 was 2.5 million.

A charge of \$307 million was recorded in 2018 for the LTIP (2017: \$272 million; 2016: \$331 million).

A summary of the activity for our LTIP's during 2018 is presented below.

### Stock options

The options have a strike price equal to the closing share price on the grant date. The fair value of the options has been calculated using the Black-Scholes formula, using the following assumptions:

- an expected life varying from 5.76 to 6.25 years, calculated in accordance with the guidance provided in SEC Staff bulletin No. 110 for plain vanilla options using the simplified method, since our equity shares have been publicly traded for only a limited period of time and we do not have sufficient historical exercise data at the grant date of the options;
- a risk-free interest rate varying from 0.8% to 2.1% (2017: 0.8% to 2.8%; 2016: 0.8% to 2.8%);
- no expected dividend payments; and
- a volatility of 40-50% based on the volatility of a set of peer companies. Peer company data has been used given the short period of time our shares have been publicly traded.

Above assumptions were valid at the moment NXP granted option. Changes in the assumptions can materially affect the fair value estimate.

	Stock options	Weighted average exercise price in USD	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2018	2,981,033	48.39		
Granted	-	-		
Exercised	803,391	37.13		
Forfeited	73,554	73.43		
Outstanding at December 31, 2018	2,104,088	51.81	4.7	49
Exercisable at December 31, 2018	1,583,001	43.14	4.1	48

No options were granted in 2018 and 2017; the weighted average per share grant date fair value of stock options granted in 2016: \$34.59.

The intrinsic value of the exercised options was \$59 million (2017: \$311 million; 2016: \$145 million), whereas the amount received by NXP was \$30 million (2017: \$137 million; 2016: \$88 million). The tax benefit realized from stock options exercised during fiscal 2018, 2017, and 2016 was \$34 million, \$83 million, and \$79 million, respectively.

At December 31, 2018, there was a total of \$7 million (2017: \$25 million) of unrecognized compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of 0.8 years (2017: 1.2 years).

#### **Performance share units**

Financial performance conditions

	Shares	Weighted average grant date fair value in USD
Outstanding at January 1, 2018	282,938	74.31
Granted	-	-
Vested	41,335	63.53
Forfeited	19,107	86.36
Outstanding at December 31, 2018	222,496	75.28

In 2018, the weighted average grant date fair value of performance share units granted was \$121.18 (2017: no PSU's granted; 2016: \$82.53).

Market performance conditions

	Shares	Weighted average grant date fair value in USD
Outstanding at January 1, 2018	37,791	40.28
Granted	1,484,882	121.18
Vested	37,791	40.28
Forfeited	5,896	121.37
Outstanding at December 31, 2018	1,478,986	121.18

The fair value of the performance share units at the time of vesting was \$6 million (2017: \$39 million; 2016: \$147 million).

At December 31, 2018, there was a total of \$143 million (2017: \$4 million; 2016: \$12 million) of unrecognized compensation cost related to non-vested performance share units. This cost is expected to be recognized over a weighted-average period of 2.6 years (2017: 1.3 years; 2016: 1.8 years).

#### **Restricted share units**

	Shares	Weighted average grant date fair value in USD
Outstanding at January 1, 2018	6,411,610	101.13
Granted	3,552,823	84.77
Vested	3,083,601	95.61
Forfeited	369,268	102.84
Outstanding at December 31, 2018	6,511,564	94.73

The weighted average grant date fair value of restricted share units granted in 2018 was \$84.77 (2017: \$115.05; 2016: \$98.16). The fair value of the restricted share units at the time of vesting was \$263 million (2017: \$328 million; 2016: \$334 million).

At December 31, 2018, there was a total of \$484 million (2017: \$483 million; 2016: \$422 million) of unrecognized compensation cost related to non-vested restricted share units. This cost is expected to be recognized over a weighted-average period of 1.5 years (2017: 1.6 years; 2016: 1.6 years).

#### **Management Equity Stock Option Plan (“MEP”)**

Awards are no longer available under these plans. Current employees who owned vested MEP Options could have exercised such MEP Options during the five-year period subsequent to September 18, 2013, subject to these employees remaining employed by us and subject to the applicable laws and regulations.

No charge was recorded in 2018, 2017 and 2016 for options granted under the MEP.

The following table summarizes the information about changes during 2018 regarding NXP’s MEP Options.

#### **Stock options**

	Stock options	Weighted average exercise price in EUR
Outstanding at January 1, 2018	231,924	35.72
Granted	-	-
Exercised	231,924	35.72
Forfeited	-	-
Expired	-	-
Outstanding at December 31, 2018	-	-

The intrinsic value of exercised options was \$16 million (2017: \$206 million; 2016: \$13 million), whereas the amount received by NXP was \$9 million (2017: \$60 million; 2016: \$7 million).

At December 31, 2018, there were no options outstanding (2017: 231,924 vested options with a weighted average exercise price of €35.72; 2016: 2,534,272 vested options with a weighted average exercise price of €23.67).

#### **9 Accounts Receivable, net**

Accounts receivable, net are summarized as follows:

	2018	2017
Accounts receivable from third parties	795	882
Allowance for doubtful accounts	(3)	(3)
	792	879

The following table presents accounts receivable, net disaggregated by sales channel:

	2018	2017
Distributors	93	150
Original Equipment Manufacturers and Electronic Manufacturing Services	651	632
Other 1)	48	97
	792	879

1) Represents accounts receivable, net in Corporate and Other for other services.

#### **10 Inventories, net**

Inventories are summarized as follows:

	2018	2017
Raw materials	74	62
Work in process	949	901
Finished goods	256	273
	1,279	1,236

The portion of finished goods stored at customer locations under consignment amounted to \$52 million as of December 31, 2018 (2017: \$69 million). The amounts recorded above are net of an allowance for obsolescence of \$111 million as of December 31, 2018 (2017: \$107 million).

### 11 Property, Plant and Equipment, net

The following table presents details of the Company's property, plant and equipment, net of accumulated depreciation:

	Useful Life (in years)	2018	2017
Land		165	166
Buildings	9 to 50	1,246	1,200
Machinery and installations	2 to 10	3,509	3,179
Other Equipment	1 to 5	537	453
Prepayments and construction in progress		278	172
		5,735	5,170
Less accumulated depreciation		(3,299)	(2,875)
Property, plant and equipment, net of accumulated depreciation		2,436	2,295

Land with a book value of \$165 million (2017: \$166 million) is not depreciated.

There was no significant construction in progress and therefore no related capitalized interest.

### 12 Identified Intangible Assets

The changes in identified intangible assets were as follows:

	Total
<i>Balance as of January 1, 2017:</i>	
Cost	9,512
Accumulated amortization/impairment	(2,169)
Book value	7,343
<i>Changes in book value:</i>	
Acquisitions/additions	78
Amortization	(1,539)
Impairment	(23)
Translation differences	4
Total changes	(1,480)
<i>Balance as of December 31, 2017:</i>	
Cost	9,335
Accumulated amortization/impairment	(3,472)
Book value	5,863
<i>Changes in book value:</i>	
Acquisitions/additions	114
Amortization	(1,509)
Translation differences	(1)
Total changes	(1,396)
<i>Balance as of December 31, 2018:</i>	
Cost	9,183
Accumulated amortization/impairment	(4,716)
Book value	4,467

Identified intangible assets as of December 31, 2018 and 2017 respectively were composed of the following:

	December 31, 2018		December 31, 2017	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
IPR&D 1)	276	-	687	-
Marketing-related	81	(50)	82	(34)
Customer-related	964	(301)	1,155	(437)
Technology-based	7,862	(4,365)	7,411	(3,001)
Identified intangible assets	9,183	(4,716)	9,335	(3,472)

1) IPR&D is not subject to amortization until completion or abandonment of the associated research and development effort.

The estimated amortization expense for these identified intangible assets, excluding software, for each of the five succeeding years is:

2019	1,533
2020	1,308
2021	504
2022	418
2023	230

All intangible assets, excluding IPR&D and goodwill, are subject to amortization and have no assumed residual value.

The expected weighted average remaining life of identified intangibles is 4 years as of December 31, 2018.

### 13 Goodwill

The changes in goodwill in 2018 and 2017 were as follows:

	2018	2017
Balances as of January 1		
Cost	9,020	9,029
Accumulated impairment	(154)	(186)
Book value	8,866	8,843
Changes in book value:		
Acquisitions	11	-
Purchase accounting and other adjustments related to Freescale acquisition	-	(28)
Translation differences	(20)	51
Total changes	(9)	23
Balances as of December 31		
Cost	8,971	9,020
Accumulated impairment	(114)	(154)
Book value	8,857	8,866

No goodwill impairment charges were required to be recognized in 2018 or 2017.

The fair value of the reporting units substantially exceeds the carrying value of the reporting units.

See note 22, "Segments and Geographical Information", for goodwill by segment and note 3, "Acquisitions and Divestments".

### 14 Postretirement Benefit Plans

#### Pensions

Our employees participate in employee pension plans in accordance with the legal requirements, customs and the local situation in the respective countries. These are defined-benefit pension plans, defined-contribution plans and multi-employer plans.

The Company's employees in The Netherlands participate in a multi-employer plan, implemented for the employees of the Metal and Electrical Engineering Industry ("Bedrijfstakpensioenfonds Metalektro or PME") in accordance with the mandatory affiliation to PME effective for the industry in which NXP operates. As this affiliation is a legal requirement for the Metal and Electrical Engineering Industry it has no expiration date. This PME multi-employer plan (a career average plan) covers 1,376 companies and 625,000 participants. The plan monitors its risk on an aggregate basis, not by company or participant and can therefore not be accounted for as a defined benefit plan. The pension fund rules state that the only obligation for affiliated companies will be to pay the annual plan

contributions. There is no obligation for affiliated companies to fund plan deficits. Affiliated companies are also not entitled to any possible surpluses in the pension fund.

Every participating company contributes the same fixed percentage of its total pension base, being pensionable salary minus an individual offset. The Company's pension cost for any period is the amount of contributions due for that period.

The contribution rate for the mandatory scheme will decrease from 25.35% (2018) to 25.02% (2019).

<b>PME multi-employer plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
NXP's contributions to the plan	34	35	36
(including employees' contributions)	4	4	4
Average number of NXP's active employees participating in the plan	2,183	2,271	2,415
NXP's contribution to the plan exceeded more than 5 percent of the total contribution (as of December 31 of the plan's year end)	No	No	No

The amount for pension costs included in the statement of operations for the year 2018 was \$105 million (2017: \$97 million; 2016: \$102 million) of which \$49 million (2017: \$42 million; 2016: \$44 million) represents defined-contribution plans and \$30 million (2017: \$31 million; 2016: \$32 million) represents the PME multi-employer plans.

***Defined-benefit plans***

The benefits provided by defined-benefit plans are based on employees' years of service and compensation levels. Contributions are made by the Company, as necessary, to provide assets sufficient to meet the benefits payable to defined-benefit pension plan participants.



These contributions are determined based upon various factors, including funded status, legal and tax considerations as well as local customs. The Company funds certain defined-benefit pension plans as claims are incurred.

The total cost of defined-benefit plans amounted to a cost of \$26 million in 2018 (2017: a benefit of \$1 million; 2016: a cost of \$26 million) consisting of \$26 million ongoing cost (2017: \$24 million; 2016: \$27 million and in 2017 a gain of \$25 million from special events resulting from restructurings, divestments, curtailments and settlements; 2016: \$1 million).

The table below provides a summary of the changes in the pension benefit obligations and defined-benefit pension plan assets for 2018 and 2017, associated with the Company's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the Consolidated Balance Sheets.

	2018	2017
<b>Projected benefit obligation</b>		
Projected benefit obligation at beginning of year	651	564
Service cost	16	15
Interest cost	12	11
Actuarial (gains) and losses	(12)	15
Curtailments and settlements	-	(1)
Benefits paid	(31)	(22)
Exchange rate differences	(19)	69
<b>Projected benefit obligation at end of year</b>	<b>617</b>	<b>651</b>
<b>Plan assets</b>		
Fair value of plan assets at beginning of year	195	172
Actual return on plan assets	4	8
Employer contributions	38	18
Curtailments and settlements	-	(1)
Benefits paid	(31)	(21)
Exchange rate differences	(5)	19
<b>Fair value of plan assets at end of year</b>	<b>201</b>	<b>195</b>
<b>Funded status</b>	<b>(416)</b>	<b>(456)</b>
<b>Classification of the funded status is as follows</b>		
- Accrued pension cost within other non-current liabilities	(407)	(443)
- Accrued pension cost within accrued liabilities	(9)	(13)
Total	(416)	(456)
<b>Accumulated benefit obligation</b>		
Accumulated benefit obligation for all Company-dedicated benefit pension plans	578	613
<b>Plans with assets less than accumulated benefit obligation</b>		
Funded plans with assets less than accumulated benefit obligation		
- Fair value of plan assets	197	190
- Accumulated benefit obligations	348	375
- Projected benefit obligations	376	401
Unfunded plans		
- Accumulated benefit obligations	226	233
- Projected benefit obligations	236	243
<b>Amounts recognized in accumulated other comprehensive income (before tax)</b>		
Total AOCI at beginning of year	113	91
- Net actuarial loss (gain)	(16)	9
- Exchange rate differences	(3)	13
Total AOCI at end of year	<b>94</b>	<b>113</b>

The weighted average assumptions used to calculate the projected benefit obligations were as follows:

	2018	2017
Discount rate	2.0%	1.9%
Rate of compensation increase	1.8%	1.8%

The weighted average assumptions used to calculate the net periodic pension cost were as follows:

	2018	2017	2016
Discount rate	1.9%	2.0%	2.5%
Expected returns on plan assets	3.0%	3.1%	3.5%
Rate of compensation increase	1.8%	1.9%	2.2%

For the Company's major plans, the discount rate used is based on high quality corporate bonds (iBoxx Corporate Euro AA 10+).

Plans in countries without a deep corporate bond market use a discount rate based on the local sovereign rate and the plans maturity (Bloomberg Government Bond Yields).

Expected returns per asset class are based on the assumption that asset valuations tend to return to their respective long-term equilibria. The Expected Return on Assets for any funded plan equals the average of the expected returns per asset class weighted by their portfolio weights in accordance with the fund's strategic asset allocation.

The components of net periodic pension costs were as follows:

	2018	2017	2016
Service cost	16	15	17
Interest cost on the projected benefit obligation	12	11	14
Expected return on plan assets	(6)	(6)	(6)
Amortization of net (gain) loss	4	4	2
Curtailements & settlements	-	(25)	(1)
Net periodic cost	26	(1)	26

A sensitivity analysis shows that if the discount rate increases by 1% from the level of December 31, 2018, with all other variables held constant, the net periodic pension cost would decrease by \$3 million. If the discount rate decreases by 1% from the level of December 31, 2018, with all other variables held constant, the net periodic pension cost would increase by \$3 million.

The estimated net actuarial loss (gain) and prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year (2019) are \$3 million and nil respectively.

#### Plan assets

The actual pension plan asset allocation at December 31, 2018 and 2017 is as follows:

Asset category:	2018	2017
Equity securities	33%	32%
Debt securities	44%	47%
Insurance contracts	7%	7%
Other	16%	14%
	100%	100%

We met our target plan asset allocation. The investment objectives for the pension plan assets are designed to generate returns that, along with the future contributions, will enable the pension plans to meet their future obligations. The investments in our major defined benefit plans largely consist of government bonds, "Level 2" Corporate Bonds and cash to mitigate the risk of interest fluctuations. The asset mix of equity, bonds, cash and other categories is evaluated by an asset-liability modeling study for our largest plan. The assets of funded plans in other countries mostly have a large proportion of fixed income securities with return characteristics that are aligned with changes in the liabilities caused by discount rate volatility. Total pension plan assets of \$201 million include \$179 million related to the German and Japanese pension funds.

The following table summarizes the classification of these assets.

	2018			2017		
	Level I	Level II	Level III	Level I	Level II	Level III
Equity securities	-	63	-	-	62	-
Debt securities	9	64	-	10	72	-
Insurance contracts	-	14	-	-	13	-
Other	1	16	12	2	16	8
	10	157	12	12	163	8

The Company currently expects to make \$12 million of employer contributions to defined-benefit pension plans and \$8 million of expected cash payments in relation to unfunded pension plans.

**Estimated future pension benefit payments**

The following benefit payments are expected to be made (including those for funded plans):

2019	21
2020	18
2021	19
2022	23
2023	23
Years 2024-2028	137

**Postretirement health care benefits**

In addition to providing pension benefits, NXP provides retiree healthcare benefits in the US which are accounted for as defined-benefit plans. In 2016, NXP also provided retiree healthcare benefits in the U.K. The liability associated with the U.K. benefits was divested in association with the sale of Standard Products during 2017.

The accumulated postretirement benefit obligation at the end of 2018 equals \$11 million (2017: \$14 million).

**15 Debt**

**Short-term debt**

	2018	2017
Short-term bank borrowings	-	-
Current portion of long-term debt (*)	1,107	751
<b>Total</b>	<b>1,107</b>	<b>751</b>

(\*) Net of adjustment for debt issuance costs.

**Long-term debt**

The following table summarizes the outstanding long-term debt as of December 31, 2018 and 2017:

	Maturities	2018		2017	
		Amount	Effective rate	Amount	Effective rate
Fixed-rate 3.75% senior unsecured notes	Jun, 2018	-	3.750	750	3.750
Fixed-rate 4.125% senior unsecured notes	Jun, 2020	600	4.125	600	4.125
Fixed-rate 4.125% senior unsecured notes	Jun, 2021	1,350	4.125	1,350	4.125
Fixed-rate 4.625% senior unsecured notes	Jun, 2022	400	4.625	400	4.625
Fixed-rate 3.875% senior unsecured notes	Sep, 2022	1,000	3.875	1,000	3.875
Fixed-rate 5.75% senior unsecured notes	Mar, 2023	-	5.750	500	5.750
Fixed-rate 4.625% senior unsecured notes	Jun, 2023	900	4.625	900	4.625
Fixed-rate 4.875% senior unsecured notes	Mar, 2024	1,000	4.875	-	-
Fixed-rate 5.35% senior unsecured notes	Mar, 2026	500	5.350	-	-
Fixed-rate 5.55% senior unsecured notes	Dec, 2028	500	5.550	-	-
Fixed-rate 1% cash convertible notes	Dec, 2019	1,150	1.000	1,150	1.000
Floating-rate revolving credit facility	Dec, 2020	-	-	-	-
<b>Total principal</b>		<b>7,400</b>		<b>6,650</b>	
Liabilities arising from capital lease transactions		27		29	
Unamortized discounts, premiums and debt issuance costs		(31)		(28)	
Fair value of embedded cash conversion option		(42)		(86)	
<b>Total debt, including unamortized discounts, premiums, debt issuance costs and fair value adjustments</b>		<b>7,354</b>		<b>6,565</b>	
Current portion of long-term debt		(1,107)		(751)	
<b>Long-term debt</b>		<b>6,247</b>		<b>5,814</b>	

	Range of interest rates	Average rate of interest	Principal amount outstanding 2018	Due in 2019	Due after 2019	Due after 2023	Average remaining term (in years)	Principal amount outstanding 2017
USD notes	3.9%-5.8%	4.5%	6,250	-	6,250	2,000	4.3	5,500
2019 Cash Convertible Senior Notes	1.0%	1.0%	1,150	1,150	-	-	0.9	1,150
Revolving Credit Facility (1)	-	-	-	-	-	-	-	-
Bank borrowings	-	-	-	-	-	-	-	-
Liabilities arising from capital lease transactions	4.5%-13.8%	4.6%	27	2	25	19	13.2	29
		4.0%	7,427	1,152	6,275	2,019	3.8	6,679

(1) We do not have any borrowings under the \$600 million Revolving Credit Facility as of December 31, 2018 and 2017.

As of December 31, 2018, the following principal amounts of long-term debt are due in the next 5 years:

2019	1,152
2020	601
2021	1,351
2022	1,402
2023	902
Due after 5 years	2,019
	7,427

As of December 31, 2018, the book value of our outstanding long-term debt was \$6,247 million, less debt issuance costs of \$32 million and plus original issuance/debt premium of \$3 million.

As of December 31, 2018, we had no aggregate principal amount of variable interest rate indebtedness under our loan agreements. The remaining tenor of secured debt is on average 3.8 years.

Accrued interest as of December 31, 2018 is \$31 million (December 31, 2017: \$35 million).

## 2018 Financing Activities

### 2024, 2026 and 2028 Senior Unsecured Notes

On December 6, 2018, NXP B.V., together with NXP Funding LLC, issued \$1 billion of 4.875% Senior Unsecured Notes due March 1, 2024, \$500 million of 5.35% Senior Unsecured Notes due March 1, 2026 and \$500 million of 5.55% Senior Unsecured Notes due December 1, 2028. NXP used a portion of the net proceeds of the offering of these notes to repay in full the Bridge Loan on December 6, 2018, as described below. The remaining proceeds will be used for general corporate purposes, which may include the repurchase of additional shares of NXP's common stock.

### 2019 Bridge Loan

On September 19, 2018, NXP B.V., together with NXP Funding LLC, entered into a \$1 billion senior unsecured bridge term credit facility agreement under which an aggregate principal amount of \$1 billion of term loans (the "Bridge Loan") were borrowed. The Bridge Loan was to mature 364 days following the closing date of September 19, 2018 and the interest at a LIBOR rate plus an applicable margin of 1.5 percent. NXP used the net proceeds of the Bridge Loan for general corporate purposes as well as to finance parts of the announced equity buy-back program. The repayment occurred on December 6, 2018, as described above.

### 2018 Senior Notes

On March 8, 2018, NXP B.V. together with NXP Funding LLC, delivered notice that it would repay to holders of its 3.75% Senior Notes due 2018 (the "2018 Notes") \$750 million of the outstanding aggregate principal amount of the 2018 Notes, which represented all of the outstanding aggregate principal amount of the 2018 Notes. The repayment occurred in April 2018 using available surplus cash.

### 2023 Senior Notes

On March 2, 2018, NXP B.V. together with NXP Funding LLC, delivered notice that it would repay to holders of its 5.75% Senior Notes due 2023 (the "2023 Notes") \$500 million of the outstanding aggregate principal amount of the 2023 Notes, which represented all of the outstanding aggregate principal amount of the 2023 Notes. The repayment occurred in April 2018 using available surplus cash.

### Certain terms and Covenants of the notes

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes.

The indentures governing the notes contain covenants that, among other things, limit the Company's ability and that of restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock or make certain other restricted payments or investments; enter into agreements that restrict dividends from restricted subsidiaries; sell assets, including capital stock of restricted subsidiaries; engage in transactions with affiliates; and effect a consolidation or merger. The Company has been in compliance with any such indentures and financing covenants.

No portion of long-term and short-term debt as of December 31, 2018 and December 31, 2017 has been secured by collateral on substantially all of the Company's assets and of certain of its subsidiaries.

Each series of the Senior Unsecured Notes are fully and unconditionally guaranteed jointly and severally, on a senior basis by certain of the Company's current and future material wholly owned subsidiaries ("Guarantors").

Pursuant to various security documents related to the \$600 million committed revolving credit facility, the Company and each Guarantor has granted first priority liens and security interests in, amongst others, the following, subject to the grant of further permitted collateral liens:

- (a) all present and future shares of capital stock of (or other ownership or profit interests in) each of its present and future direct subsidiaries, other than SMST Unterstützungskasse GmbH, and material joint venture entities;
- (b) all present and future intercompany debt of the Company and each Guarantor;
- (c) all of the present and future property and assets, real and personal, of the Company, and each Guarantor, including, but not limited to, machinery and equipment, inventory and other goods, accounts receivable, owned real estate, leaseholds, fixtures, general intangibles, license rights, patents, trademarks, trade names, copyrights, chattel paper, insurance proceeds, contract rights, hedge agreements, documents, instruments, indemnification rights, tax refunds, but excluding cash and bank accounts; and
- (d) all proceeds and products of the property and assets described above.

Notwithstanding the foregoing, certain assets may not be pledged (or the liens not perfected) in accordance with agreed security principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the holders; and
- if providing such security requires consent of a third party and such consent cannot be obtained after the use of commercially reasonable efforts; and
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules or similar matters or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after using commercially reasonable efforts to overcome such obstacles; and
- if providing such security would have a material adverse effect (as reasonably determined in good faith by such subsidiary) on the ability of such subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the indenture; and
- if providing such security or perfecting liens thereon would require giving notice (i) in the case of receivables security, to customers or (ii) in the case of bank accounts, to the banks with whom the accounts are maintained. Such notice will only be provided after the secured notes are accelerated.

Subject to agreed security principles, if material property is acquired by the Company or a Guarantor that is not automatically subject to a perfected security interest under the security documents, then the Company or relevant Guarantor will within 60 days provide security over this property and deliver certain certificates and opinions in respect thereof as specified in the indenture governing the notes.

#### *2019 Cash Convertible Senior Notes*

In November 2014, NXP issued \$1,150 million principal amount of its 2019 Cash Convertible Senior Notes (the "Notes"). The 2019 Cash Convertible Senior Notes have a stated interest rate of 1.00%, matures on December 1, 2019 and may be settled only in cash. The indenture for the 2019 Cash Convertible Senior Notes does not contain any financial covenants. Contractual interest payable on the 2019 Cash Convertible Senior Notes began accruing in December 2014 and is payable semi-annually each December 1<sup>st</sup> and June 1<sup>st</sup>. The initial purchasers' transaction fees and expenses totaling \$16 million were capitalized as deferred financing costs and are amortized over the term of the 2019 Cash Convertible Senior Notes using the effective interest method.

Prior to September 1, 2019, holders may convert their 2019 Cash Convertible Senior Notes into cash upon the occurrence of one of the following events:

- the price of NXP's common stock reaches 130% of the conversion price on each applicable trading day during certain periods of time specified in the 2019 Cash Convertible Senior Notes;
- specified corporate transactions occur; or

- the trading price of the 2019 Cash Convertible Senior Notes falls below 98% of the product of (i) the last reported sales price of NXP's common stock and (ii) the conversion rate on the date.

On or after September 1, 2019, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2019 Cash Convertible Senior Notes into cash at any time, regardless of the foregoing circumstances. NXP may not redeem the 2019 Cash Convertible Senior Notes prior to maturity.

The initial cash conversion rate for the 2019 Cash Convertible Senior Notes is 9.7236 shares of NXP's common stock per \$1,000 principal amount of 2019 Cash Convertible Senior Notes, equivalent to a cash conversion price of \$102.84 per share of NXP's common stock, with the amount due on conversion payable in cash. Upon cash conversion, a holder will receive the sum of the daily settlement amounts, calculated on a proportionate basis for each day, during a specified observation period following the cash conversion date.

If a "fundamental change" (as defined below in this section) occurs at any time, holders will have the right, at their option, to require us to repurchase for cash all of their 2019 Cash Convertible Senior Notes, or any portion of the principal thereof that is equal to \$1,000 or a multiple of \$1,000 (provided that the portion of any global note or certified note, as applicable, not tendered for repurchase has a principal amount of at least \$200,000, on the fundamental change repurchase date. A fundamental change is any transaction or event (whether by means of an exchange offer, change of common stock, liquidation, consolidation, merger, reclassification, recapitalization or otherwise) in which more than 50% of NXP's common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive, consideration. A transaction or transactions described above will not constitute a fundamental change, however, if at least 90% of the consideration received or to be received by our common shareholders, excluding cash payments for fractional shares, in connection with such transaction or transactions consists of shares of common equity that are listed or quoted on any permitted exchange or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions and as a result of such transaction or transactions such consideration becomes the reference property for the 2019 Cash Convertible Senior Notes.

As of December 31, 2018, none of the conditions allowing the holders of the 2019 Cash Convertible Senior Notes to convert the 2019 Cash Convertible Senior Notes into cash had been met.

The requirement that NXP must settle the conversion of the Notes in cash gives rise to a derivative instrument that must be bifurcated from the debt host. The embedded cash conversion option within the Cash Convertible Notes is required to be separated from the Cash Convertible Notes and accounted for separately as a derivative liability, with changes in fair value reported in our Consolidated Statements of Income in other (expense) income, net until the cash conversion option settles or expires. The initial fair value liability of the embedded cash conversion option simultaneously reduced the carrying value of the Cash Convertible Notes (effectively an original issuance discount). The embedded cash conversion option is measured and reported at fair value on a recurring basis, within Level 3 of the fair value hierarchy. The fair value of the embedded cash conversion option at December 31, 2018 was \$24 million (2017: \$301 million) which is recorded in other long-term liabilities in the accompanying balance sheet. For the year ended December 31, 2018, the change in the fair value of the embedded cash conversion option resulted in a profit of \$277 million (2017: a loss of \$43 million).

Concurrently with the pricing of the 2019 Cash Convertible Senior Notes, NXP entered into hedge transactions, or the Notes Hedges, with various parties whereby NXP has the option to receive the cash amount that may be due to the Notes holders at maturity in excess of the \$1,50 million principal amount of the notes, subject to certain conversion rate adjustments in the Notes Indenture. These options expire on December 1, 2019, and must be settled in cash. The aggregate cost of the Notes Hedges was \$208 million. The Notes Hedges are accounted for as derivative assets, and are included in Other assets in NXP's Consolidated Balance Sheet. As of December 31, 2018, the estimated fair value of the Notes Hedges was \$24 million (2017: \$301 million).

The Notes Embedded Conversion Derivative and the Notes Hedges are adjusted to fair value each reported period and unrealized gains and losses are reflected in NXP's Consolidated Statements of Operations. Because the fair values of the Notes Embedded Conversion Derivative and the Notes Hedges are designed to have similar offsetting values, there was no impact to NXP's Consolidated Statements of Operations relating to these adjustments to fair value during fiscal 2018 (2017: no impact).

In separate transactions, NXP also sold warrants, to various parties for the purchase of up to 11.18 million shares of NXP's common stock at an initial strike price of \$133.32 per share in a private placement pursuant to Section 4(2) of the Securities Act of 1933, as amended, or the Securities Act. The Warrants expire on various dates starting from March 2, 2020, and will be net share settled. Under the terms of the warrants, any Option Counterparty may adjust certain terms of its warrants upon the announcement, termination or occurrence of certain events. The warrant transactions may also be terminated if the Option Counterparty determines that no such adjustment will produce a commercially reasonable result, and that the relevant event is reasonably likely to occur. In particular, each Option Counterparty may adjust the terms of its warrants to compensate it for the economic effect of the announcements relating to the proposed acquisition of NXP by Qualcomm (including announcements of consummation, cancellation, withdrawal or discontinuance of the proposed acquisition), taking into account changes in volatility, expected dividends, stock loan rate or liquidity and any stock price discontinuity relevant to our common stock or the warrants. There have been no adjustments made at this time. Any such adjustment in the future may increase our delivery obligations upon expiration and settlement of the warrants or our obligations upon their cancellation, termination or unwinding, which would be settled using shares of our stock. NXP received \$134 million in cash proceeds from the sale of the Warrants, which were at the time of issuance recorded in Other non-current liabilities. As of January 1, 2016, as of result of the acquisition of Freescale, NXP has concluded that the functional currency of the holding company is USD. Consequently, beginning from January 1, 2016, the Warrants with a carrying value of \$168 million were reclassified to stockholders' equity, and mark-to-market accounting is no longer applicable. The Warrants are included in diluted earnings per share to the extent the impact is dilutive. As of December 31, 2018, the Warrants were not dilutive.

The principal amount, unamortized debt discount and net carrying amount of the liability component of the 2019 Cash Convertible Senior Notes as of December 31, 2018 and 2017 was as follows:

(in millions)	As of December 31	
	2018	2017
Principal amount of 2019 Cash Convertible Senior Notes	1,150	1,150
Unamortized debt discount of 2019 Cash Convertible Senior Notes	45	91
Net liability of 2019 Cash Convertible Senior Notes	1,105	1,059

The effective interest rate, contractual interest expense and amortization of debt discount for the 2019 Cash Convertible Senior Notes for fiscal 2018 and 2017 were as follows:

(in millions, except percentage)	2018	2017
Effective interest rate	5.14%	5.14%
Contractual interest expense	12	12
Amortization of debt discount	44	42

As of December 31, 2018, the if-converted value of the 2019 Cash Convertible Senior Notes exceeded the principal amount of the Notes. The total fair value of the 2019 Cash Convertible Senior Notes was \$1,327 million.

#### Impact of Conversion Contingencies on Financial Statements

At the end of each quarter until maturity of the 2019 Cash Convertible Senior Notes, NXP will reassess whether the stock price conversion condition has been satisfied. If one of the early conversion conditions is satisfied in any future quarter, NXP would classify its net liability under the 2019 Cash Convertible Senior Notes as a current liability on the Consolidated Balance Sheet as of the end of that fiscal quarter. If none of the early conversion conditions have been satisfied in a future quarter prior to the one-year period immediately preceding the maturity date, NXP would classify its net liability under the 2019 Cash Convertible Senior Notes as a non-current liability on the Consolidated Balance Sheet as of the end of that fiscal quarter. If the holders of the 2019 Cash Convertible Senior Notes elect to convert their 2019 Cash Convertible Senior Notes prior to maturity, any unamortized discount and transaction fees will be expensed at the time of conversion.

#### 16 Commitments and Contingencies

##### Lease Commitments

At December 31, 2018 and 2017, there were no material capital lease obligations. Long-term operating lease commitments totaled \$156 million as of December 31, 2018 (2017: \$132 million). The long-term operating leases are mainly related to the rental of buildings and tools. These leases expire at various dates during the next 30 years. Future minimum lease payments under operating leases are as follows:

2019	43
2020	35
2021	24
2022	13
2023	11
Thereafter	30
Total future minimum leases payments	156

Rent expense amounted to \$57 million in 2018 (2017: \$63 million; 2016: \$68 million).

##### Purchase Commitments

The Company maintains purchase commitments with certain suppliers, primarily for raw materials, semi-finished goods and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time-horizon as mutually agreed upon between the parties. This forecasted time-horizon can vary for different suppliers. As of December 31, 2018, the Company had purchase commitments of \$333 million, which are due through 2032.

##### Litigation

We are regularly involved as plaintiffs or defendants in claims and litigation relating to a variety of matters such as contractual disputes, personal injury claims, employee grievances and intellectual property litigation. In addition, our acquisitions, divestments and financial transactions sometimes result in, or are followed by, claims or litigation. Some of these claims may possibly be recovered from insurance reimbursements. Although the ultimate disposition of asserted claims cannot be predicted with certainty, it is our belief that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on our consolidated

financial position. However, such outcomes may be material to our Consolidated Statement of Operations for a particular period. The Company records an accrual for any claim that arises whenever it considers that it is probable that it is exposed to a loss contingency and the amount of the loss contingency can be reasonably estimated. Legal fees are expensed when incurred.

Based on the most current information available to it and based on its best estimate, the Company also reevaluates at least on a quarterly basis the claims that have arisen to determine whether any new accruals need to be made or whether any accruals made need to be adjusted. Based on the procedures described above, the Company has an aggregate amount of \$123 million accrued for potential and current legal proceedings pending as of December 31, 2018, compared to \$104 million accrued (without reduction for any related insurance reimbursements) at December 31, 2017. The accruals are included in "Accrued liabilities" and "Other non-current liabilities". As of December 31, 2018, the Company's balance related to insurance reimbursements was \$65 million (2017: \$61 million) and is included in "Other current assets" and "Other non-current assets".

The Company also estimates the aggregate range of reasonably possible losses in excess of the amount accrued based on currently available information for those cases for which such estimate can be made. The estimated aggregate range requires significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants (including the Company) in such claims whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the claims, and the attendant uncertainty of the various potential outcomes of such claims. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate. As at December 31, 2018, the Company believes that for all litigation pending its potential aggregate exposure to loss in excess of the amount accrued (without reduction for any amounts that may possibly be recovered under insurance programs) could range between \$0 and \$289 million. Based upon our past experience with these matters, the Company would expect to receive insurance reimbursement on certain of these claims that would offset the potential maximum exposure of up to \$205 million.

In addition, the Company is currently assisting Motorola in the defense of personal injury lawsuits due to indemnity obligations included in the agreement that separated Freescale from Motorola in 2004. The Company is also defending a suit related to semiconductor operations that occurred prior to NXP's separation from Philips. The multi-plaintiff Motorola lawsuits are pending in Cook County, Illinois, and the legacy NXP suit is pending in Santa Fe, New Mexico. These claims allege a link between working in semiconductor manufacturing clean room facilities and birth defects in 45 individuals. The Motorola suits allege exposures between 1965 and 2006. Each claim seeks an unspecified amount of damages for the alleged injuries; however, legal counsel representing the plaintiffs has indicated they will seek substantial compensatory and punitive damages from Motorola for the entire inventory of claims which, if proven and recovered, the Company considers to be material. In the Motorola suits, a portion of any indemnity due to Motorola will be reimbursed to NXP if Motorola receives an indemnification payment from its insurance coverage. Motorola has potential insurance coverage for many of the years indicated above, but with differing types and levels of coverage, self-insurance retention amounts and deductibles. We are in discussions with Motorola and their insurers regarding the availability of applicable insurance coverage for each of the individual cases. Motorola and NXP have denied liability for these alleged injuries based on numerous defenses.

#### ***Environmental remediation***

In each jurisdiction in which we operate, we are subject to many environmental, health and safety laws and regulations that govern, among other things, emissions of pollutants into the air, wastewater discharges, the use and handling of hazardous substances, waste disposal, the investigation and remediation of soil and ground water contamination and the health and safety of our employees. We are also required to obtain environmental permits from governmental authorities for certain of our operations.

As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at our current and historical manufacturing facilities. Certain environmental laws impose liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. Certain of these laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated.

Soil and groundwater contamination has been identified at our properties in Nijmegen, the Netherlands and near Phoenix, Arizona, United States. The remediation processes at these locations are expected to continue for many years.

As of December 31, 2018, we have recorded \$88 million for environmental remediation costs, which are primarily included in other non-current liabilities in the accompanying Consolidated Balance Sheet. This amount represents the undiscounted future cash flows of our estimated share of costs incurred in environmental cleanup sites without considering recovery of costs from any other party or insurer, since in most cases potentially responsible parties other than us may exist and be held responsible.

#### **17 Stockholders' Equity**

The share capital of the Company as of December 31, 2018 and 2017 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock, and 645,754,500 authorized but unissued shares of preferred stock.

On November 16, 2018, the Company, as authorized by the June 2018 AGM, cancelled 5% (representing 17,300,143 shares) of the issued number of NXP shares. As a result, the number of issued NXP shares as per November 16, 2018 is 328,702,719 shares. At December 31, 2018, the Company has issued and paid up 328,702,719 shares (2017: 346,002,862 shares) of common stock each having a par value of €0.20 or a nominal stock capital of €66 million (2017: €69 million).



### **Cash dividends**

On September 10, 2018, NXP announced the initiation of a Quarterly Dividend Program under which the company will pay a regular quarterly cash dividend. Accordingly, interim dividends of \$0.25 per ordinary share were paid on October 5, 2018 and January 7, 2019.

### **Share-based awards**

The Company has granted share-based awards to the members of our board of directors, management team, our other executives, selected other key employees/talents of NXP and selected new hires to receive the Company's shares in the future. See note 8, "Share-based Compensation".

### **Treasury shares**

From time to time, last on June 22, 2018, the General Meeting of Shareholders authorize the Board of Directors to repurchase shares of our common stock. On that basis, for the first time in 2011 and latest effective November 1, 2018, the Board of Directors executed various share repurchase programs. In accordance with the Company's policy to provide share-based awards from its treasury share inventory, shares which have been repurchased and are held in treasury for delivery upon exercise of options and under restricted and performance share programs, are accounted for as a reduction of stockholders' equity. Treasury shares are recorded at cost, representing the market price on the acquisition date. When issued, shares are removed from treasury shares on a first-in, first-out (FIFO) basis.

Differences between the cost and the proceeds received when treasury shares are reissued, are recorded in capital in excess of par value. Deficiencies in excess of net gains arising from previous treasury share issuances are charged to retained earnings.

The following transactions took place resulting from employee option and share plans:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total shares in treasury at beginning of year	3,078,470	10,609,980	3,998,982
Total cost	342	915	342
Shares acquired under repurchase program	54,376,181	2,522,589	15,537,868
Average price in \$ per share	92.07	113.36	82.36
Amount paid	5,006	286	1,280
Shares delivered	4,241,487	10,054,099	8,926,870
Average price in \$ per share	107.75	85.42	79.25
Amount received	39	233	115
Shares retired	17,300,143	-	-
Total shares in treasury at end of year	35,913,021	3,078,470	10,609,980
Total cost	3,238	342	915

### **Shareholder tax on repurchased shares**

Under Dutch tax law, the repurchase of a company's shares by an entity domiciled in the Netherlands results in a taxable event. The tax on the repurchased shares is attributed to the shareholders, with NXP making the payment on the shareholders' behalf. As such, the tax on the repurchased shares is accounted for within stockholders' equity.

### 18 Accumulated Other Comprehensive Income (Loss)

Total comprehensive income (loss) represents net income (loss) plus the results of certain equity changes not reflected in the Consolidated Statements of Operations. The after-tax components of accumulated other comprehensive income (loss) and their corresponding changes are shown below:

	Currency translation differences	Change in fair value cash flow hedges	Net actuarial gain/(losses)	Unrealized gains/losses available-for sale securities	Accumulated Other Comprehensive Income (loss)
As of December 31, 2016	113	(2)	(81)	4	34
Other comprehensive income (loss) before reclassifications	156	29	(20)	(3)	162
Amounts reclassified out of accumulated other comprehensive income (loss)	-	(15)	-	(6)	(21)
Income tax effects	-	(4)	4	2	2
Other comprehensive income (loss)	156	10	(16)	(7)	143
As of December 31, 2017	269	8	(97)	(3)	177
Other comprehensive income (loss) before reclassifications	(51)	(10)	9	-	(52)
Amounts reclassified out of accumulated other comprehensive income (loss)	-	(4)	-	3	(1)
Income tax effects	-	3	(4)	-	(1)
Other comprehensive income (loss)	(51)	(11)	5	3	(54)
As of December 31, 2018	218	(3)	(92)	-	123

### 19 Related-party Transactions

The Company's related parties are the members of the board of directors of NXP Semiconductors N.V., the members of the management team of NXP Semiconductors N.V. and equity-accounted investees and, up to July 26, 2018, Qualcomm Incorporated. As of the divestment of the SP business on February 6, 2017, the newly formed Nexperia has become a related party.

#### Other

We have a number of strategic alliances and joint ventures. We have relationships with certain of our alliance partners in the ordinary course of business whereby we enter into various sale and purchase transactions, generally on terms comparable to transactions with third parties. However, in certain instances upon divestment of former businesses where we enter into supply arrangements with the former owned business, sales are conducted at cost.

The following table presents the amounts related to revenue and other income and purchase of goods and services incurred in transactions with these related parties:

	2018	2017	2016
Revenue and other income	133	130	59
Purchase of goods and services	106	144	116

The following table presents the amounts related to receivable and payable balances with these related parties:

	2018	2017
Receivables	25	54
Payables	49	77

As part of the divestment of the SP business, we entered into a lease commitment and related services to Nexperia, that is \$28 million as of December 31, 2018, and committed \$50 million to an investment fund affiliated with Nexperia's owners.

## 20 Fair Value of Financial Assets and Liabilities

The following table summarizes the estimated fair value and carrying amount of our financial instruments measured on a recurring basis:

	Fair value hierarchy	December 31, 2018		December 31, 2017	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
<b>Assets:</b>					
Notes hedges	3	24	24	301	301
Other financial assets	2	32	32	29	29
Derivative instruments-assets	2	6	6	10	10
<b>Liabilities:</b>					
Short-term debt	2	(2)	(2)	(2)	(2)
Short-term debt (bonds)	2	-	-	(749)	(755)
Short-term debt (2019 Cash Convertible Senior Notes)	2	(1,105)	(1,327)	(1,059)	(1,418)
Long-term debt (bonds)	2	(6,222)	(6,191)	(4,728)	(4,879)
Other long-term debt	2	(25)	(25)	(27)	(27)
Notes Embedded Conversion Derivative	3	(24)	(24)	(301)	(301)
Derivative instruments-liabilities	2	(2)	(2)	-	-

The following methods and assumptions were used to estimate the fair value of financial instruments:

### *Other financial assets and derivatives*

For other financial assets and derivatives the fair value is based upon significant other observable inputs depending on the nature of the other financial asset and derivative.

### *Notes hedges and Notes Embedded Conversion Derivative*

At December 31, 2018, the Notes hedges and the Notes Embedded Conversion Derivative are measured at fair value using level 3 inputs. The instruments are not actively traded and are valued at the measurement date using an option pricing model that uses observable inputs for the share price of NXP's common stock, risk-free interest rate, dividend yield and the term, in combination with a significant unobservable input for volatility. Volatility has historically been determined by a hypothetical market place. During the second quarter of 2017, an adjustment was made to this factor where we utilized the hypothetical marketplace and also considered the implied volatility in actively traded call options with a similar term. Subsequent to the termination of the Qualcomm purchase agreement, we returned to determining volatility by utilizing a hypothetical marketplace. The volatility factor utilized at December 31, 2018 was 34.8% and at December 31, 2017 the volatility factor utilized was 29%. The change in the fair value of the Notes hedges and Notes Embedded Conversion Derivative was solely the gain and loss, respectively for each instrument that was recognized.

### *Debt*

The fair value is estimated on the basis of observable inputs other than quoted prices in active markets for identical liabilities for certain issues, or on the basis of discounted cash flow analyses. Accrued interest is included under accrued liabilities and not within the carrying amount or estimated fair value of debt.

### *Assets and liabilities recorded at fair value on a non-recurring basis*

We measure and record our non-marketable equity investments (non-marketable equity method and cost method investments) and non-financial assets, such as intangible assets and property, plant and equipment, at fair value when an impairment charge is required.

## 21 Other Financial Instruments, Derivatives and Currency Risk

We conduct business in diverse markets around the world and employ a variety of risk management strategies and techniques to manage foreign currency exchange rate and interest rate risks. Our risk management program focuses on the unpredictability of financial markets and seeks to minimize the potentially adverse effects that the volatility of these markets may have on our operating results. One way we achieve this is through the active hedging of risks through the selective use of derivative instruments.

Derivatives are recorded on our Consolidated Balance Sheets at fair value which fluctuates based on changing market conditions.

The Company does not purchase or hold financial derivative instruments for trading purposes.

## Currency risk

The Company's transactions are denominated in a variety of currencies. The Company uses financial instruments to reduce its exposure to the effects of currency fluctuations. Accordingly, the Company's organizations identify and measure their exposures from transactions denominated in other than their own functional currency. We calculate our net exposure on a cash flow basis considering balance sheet items, actual orders received or made and anticipated revenue and expenses. The Company generally hedges foreign currency exposures in relation to transaction exposures, such as receivables/payables resulting from such transactions and part of anticipated sales and purchases. The Company generally uses forwards to hedge these exposures. As of January 1, 2016, as a result of the acquisition of Freescale, NXP has concluded that the functional currency of the holding company is USD. Beginning from January 1, 2016, our U.S. dollar-denominated notes and short term loans will no longer need to be re-measured. Prior to January 1, 2016, the U.S. dollar-denominated debt held by our Dutch subsidiary (which had at that time a euro functional currency) could have generated adverse currency results in financial income and expenses depending on the exchange rate movement between the euro and the U.S. dollar. This exposure was partially mitigated by the application of net investment hedge accounting, which had been applied since May 2011. The U.S. dollar exposure of the net investment in U.S. dollar functional currency subsidiaries was hedged by certain of our U.S. dollar denominated debt. The hedging relationship was assumed to be highly effective. Foreign currency gains or losses on this U.S. dollar debt that were recorded in a euro functional currency entity that were designated as, and to the extent they were effective, as a hedge of the net investment in our U.S. dollar foreign entities, were reported as a translation adjustment in other comprehensive income within equity, and offset in whole or in part the foreign currency changes to the net investment that were also reported in other comprehensive income. Absent the application of net investment hedging, these amounts would have been recorded as a loss within financial income (expense) in the statement of operations.

## 22 Segments and Geographical Information

Prior to February 6, 2017, NXP was organized into two market oriented reportable segments, High Performance Mixed Signal ("HPMS") and Standard Products ("SP"). As of February 6, 2017, the SP reportable segment was divested and HPMS remains as the sole reportable segment. Corporate and Other represents the remaining portion to reconcile to the Consolidated Financial Statements. Effective January 1, 2019, NXP removed the reference to HPMS in its organizational structure in acknowledgment of the one reportable segment representing the entity as a whole.

Our HPMS business segment delivers high performance mixed signal solutions to our customers to satisfy their system and sub-systems needs across eight application areas: automotive, identification, mobile, consumer, computing, wireless infrastructure, lighting and industrial, and software solutions for mobile phones. Our SP business segment offered standard products for use across many application markets, as well as application-specific standard products predominantly used in application areas such as mobile handsets, computing, consumer and automotive. The segments each include revenue from the sale and licensing of intellectual property related to that segment.

Because the Company meets the criteria for aggregation set forth under ASC 280 "Segment Reporting", and the operating segments have similar economic characteristics, the Company aggregates the results of operations of the Automotive, Secure Identification Solutions, Secure Connected Devices and Secure Interfaces and Infrastructure operating segments into one reportable segment, HPMS, and prior to February 6, 2017, the Standard Products and General Purpose Logic operating segments into another reportable segment, SP.

Our Chief Executive Officer, who is our CODM, regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Asset information by segment is not provided to our CODM as the majority of our assets are used jointly or managed at corporate level. Arithmetical allocation of these assets to the various businesses is not deemed to be meaningful and as such total assets per segment has been omitted.

Detailed information by segment for the years 2018, 2017 and 2016 is presented in the following tables.

<b>Revenue</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
HPMS	9,022	8,745	8,086
SP	-	118	1,220
Corporate and Other (1)	385	393	192
	<u>9,407</u>	<u>9,256</u>	<u>9,498</u>
<b>Operating income (loss)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
HPMS	807	656	(302)
SP	-	31	268
Corporate and Other (1)	1,903	1,415	(116)
	<u>2,710</u>	<u>2,102</u>	<u>(150)</u>

(1) Corporate and Other is not a reporting segment under ASC 280 "Segment Reporting". Corporate and Other includes revenue related to manufacturing operations, unallocated expenses not related to any specific business segment and corporate restructuring charges. The gain on the sale of the divestment of SP business is included in the operating income of Corporate and Other.

	Cost at January 1, 2018	Acquisitions	Translation differences and other changes	Cost at December 31, 2018
<b>Goodwill assigned to segments</b>				
HPMS	8,750	11	(60)	8,701
Corporate and Other (1)	270	-	-	270
	<b>9,020</b>	<b>11</b>	<b>(60)</b>	<b>8,971</b>

	Accumulated impairment at January 1, 2018	Translation differences and other changes	Accumulated impairment at December 31, 2018
HPMS	(154)	40	(114)
Corporate and Other (1)	-	-	-
	<b>(154)</b>	<b>40</b>	<b>(114)</b>

(1) Corporate and Other is not a reporting segment under ASC 280 "Segment Reporting".

### Geographical Information

	Revenue (1)			Property, plant and equipment, net		
	2018	2017	2016	2018	2017	2016
China	3,430	3,640	3,882	287	281	251
Netherlands	349	304	285	214	198	183
United States	919	922	906	782	770	922
Singapore	1,220	1,082	984	298	211	166
Germany	531	570	623	55	57	52
Japan	735	750	550	-	-	1
South Korea	357	356	369	-	-	-
Malaysia	112	103	231	373	369	378
Other countries	1,754	1,529	1,668	427	409	399
	<b>9,407</b>	<b>9,256</b>	<b>9,498</b>	<b>2,436</b>	<b>2,295</b>	<b>2,352</b>

(1) Revenue attributed to geographic areas is based on the customer's shipped-to location (except for intellectual property license revenue which is attributable to the Netherlands).

NXP B.V.  
NXP FUNDING LLC  
as Issuers

EACH OF THE GUARANTORS PARTY HERETO

and

DEUTSCHE BANK TRUST COMPANY AMERICAS,  
as Trustee

\$1,000,000,000 4.875% Senior Notes due 2024

\$500,000,000 5.350% Senior Notes due 2026

\$500,000,000 5.550% Senior Notes due 2028

\_\_\_\_\_  
SENIOR INDENTURE

Dated as of December 6, 2018

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## CROSS-REFERENCE TABLE

TIA Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.08; 7.10
311(a)	7.12
(b)	7.12
312(a)	2.06
(b)	11.02
(c)	11.02
313(a)	7.06
(b)	7.06
(c)	7.06
(d)	7.06
314(a)	4.08; 4.09
(b)	N.A.
(c)(1)	11.04
(c)(2)	11.04
(c)(3)	N.A.
(d)	N.A.
(e)	11.05
315(a)	7.01
(b)	7.05; 11.03
(c)	7.01
(d)	7.01
(e)	6.11
316(a)(last sentence)	11.06
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	9.02
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.05
318(a)	11.01

N.A. means Not Applicable.

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be part of this Indenture.

INDENTURE dated as of December 6, 2018, among NXP B.V. (the “*Company*”), NXP Funding LLC (the “*Co-Issuer*” and, together with the Company, the “*Issuers*”), the Guarantors (as defined herein) and Deutsche Bank Trust Company Americas, as trustee (the “*Trustee*”).

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Notes.

This Indenture is subject to, and will be governed by, the provisions of the TIA that are required to be a part of and govern indentures under the TIA, except as otherwise set forth herein.

## ARTICLE 1

### Definitions and Incorporation by Reference

#### SECTION 1.01.

#### Definitions

“*2024 Notes*” means the Original 2024 Notes, the Exchange Notes issued in exchange for the Original 2024 Notes and the Additional 2024 Notes, if any, issued by the Issuers pursuant to this Indenture.

“*2026 Notes*” means the Original 2026 Notes, the Exchange Notes issued in exchange for the Original 2026 Notes and the Additional 2026 Notes, if any, issued by the Issuers pursuant to this Indenture.

“*2028 Notes*” means the Original 2028 Notes, the Exchange Notes issued in exchange for the Original 2028 Notes and the Additional 2028 Notes, if any, issued by the Issuers pursuant to this Indenture.

“*actual knowledge*” of any Trustee shall be construed to mean that such Trustee shall not be charged with knowledge (actual or otherwise) of the existence of facts that would impose an obligation on it to make any payment or prohibit it from making any payment unless a Responsible Officer of such Trustee has received written notice that such payments are required or prohibited by this Indenture in which event the Trustee shall be deemed to have actual knowledge within one Business Day of receiving that notice.

“*Additional Interest*” has the meaning set forth in the Registration Rights Agreement.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

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“*Attributable Liens*” means, in connection with any Sale and Leaseback Transaction, the lesser of (i) the fair market value of the assets subject to such Sale and Leaseback Transaction, as determined by an Officer or the Board of Directors in good faith, and (ii) the present value (discounted at a rate per annum equal to the average interest payable under the Notes under this Indenture compounded semi-annually) of the obligations of the lessee for rental payments during the term of the related lease.

“*Below Investment Grade Rating Event*” means, with respect to the Notes of a series, the rating on such series of Notes is lowered in respect of a Change of Control and such series of Notes is rated below an Investment Grade Rating by two of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended until the ratings are announced if, during such 60-day period, the rating of such series of Notes is under publicly announced consideration for possible downgrade by each of the Rating Agencies); provided that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Triggering Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Parent or the Company in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event). The Parent or the Company shall request the Rating Agencies to make such confirmation in connection with any Change of Control and shall promptly certify to the Trustee as to whether or not such confirmation has been received or denied.

“*Board of Directors*” means (1) with respect to the Parent, the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided, however*, that for any payments to be made under this Indenture, such day shall also be a day on which the second generation Trans-European Automated Real-time Gross Settlement Express Transfer (“*TARGET2*”) payment system is open for the settlement of payments.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity

of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“*Change of Control*” means:

- (1) the consummation of any transaction (including, without limitation, any merger or consolidation) resulting in any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as such term is used in Rules 13d-3 and 13d-5 under the Exchange Act) of more than 50% of the Voting Stock of the Company (or its successor); provided, however, that a transaction will not be deemed to involve a Change of Control under this clause (1) if (x) the Company becomes a direct or indirect wholly owned subsidiary of a holding company (including the Parent) and (y)(i) the direct or indirect holders of the Voting Stock of such holding company (including the Parent) immediately following that transaction are substantially the same as the holders of the Company’s Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no “person” or “group” of related persons (other than a holding company (including the Parent) satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company (including the Parent); or
- (2) the sale, lease, transfer, conveyance or other disposition, in one transaction or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to a Person, other than (x) where the Company is the surviving entity following such sale, lease, transfer, conveyance or other disposition, (y) a Subsidiary or (z) any such sale, lease, transfer, conveyance or other disposition where the shares of the Company’s Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person or parent entity thereof immediately after giving effect to such transaction.

“*Change of Control Triggering Event*” means, with respect to the Notes, the occurrence of a Change of Control together with a Below Investment Grade Rating Event.

“*Consolidated Net Tangible Assets*” means, at any date, the total assets appearing on the Parent’s most recent consolidated balance sheet, prepared in accordance with GAAP, less all current liabilities as shown on such balance sheet, and Intangible Assets.

“*Credit Facility*” means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Revolving Credit Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or

agents or other banks or institutions and whether provided under the original Revolving Credit Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Debtor Relief Laws*” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally (including, in the case of any Guarantor incorporated or organized in England or Wales, administration, administrative receivership, voluntary arrangement and schemes of arrangement).

“*Default*” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“*DTC*” means The Depository Trust Company or any successor securities clearing agency.

“*Dollar Equivalent*” means, with respect to any monetary amount in a currency other than dollars, at any time of determination thereof by the Company or the Trustee, the amount of dollars obtained by converting such currency other than dollars involved in such computation into dollars at the spot rate for the purchase of dollars with the applicable currency other than dollars as published in The Financial Times in the “Currency Rates” section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by an Officer or the Board of Directors) on the date of such determination.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Exchange Notes*” means, with respect to the Original Notes, notes issued in exchange for the Original Notes pursuant to the terms of the Registration Rights Agreement or, with respect to any Additional Notes, notes issued in exchange for such Additional Notes pursuant to the terms of a registration rights agreement among the Issuers and the initial purchasers of such Additional Notes.

“*Exchange Offer*” has the meaning set forth in the Registration Rights Agreement.

“*Existing Notes*” means, collectively, the Issuers’ dollar-denominated 4.625% Senior Notes due 2023, dollar-denominated 4.625% Senior Notes due 2022, dollar-denominated 4.125%

Senior Notes due 2021, dollar-denominated 4.125% Senior Notes due 2020 and dollar-denominated 3.875% Senior Notes due 2022.

“*fair market value*” may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Parent setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Fitch*” means Fitch Ratings Limited or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*GAAP*” means generally accepted accounting principles in the United States of America as in effect on the date of any calculation or determination required hereunder. Except as otherwise set forth in this Indenture, all ratios and calculations based on GAAP contained in this Indenture shall be computed in accordance with GAAP. At any time after the Issue Date, the Company may elect to establish that GAAP shall mean the GAAP as in effect on or prior to the date of such election, provided that any such election, once made, shall be irrevocable. At any time after the Issue Date, the Company may elect to apply International Financial Reporting Standards (“IFRS”) accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided elsewhere in this Indenture), including as to the ability of the Company to make an election pursuant to the previous sentence; provided that any such election, once made, shall be irrevocable; provided, further, that any calculation or determination in this Indenture that require the application of GAAP for periods that include fiscal quarters ended prior to the Company’s election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP; provided, further again, that the Company may only make such election if it also elects to report any subsequent financial reports required to be made by the Company, including pursuant to Section 13 or Section 15(d) of the Exchange Act, in IFRS. The Company shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

“*Governmental Authority*” means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);



*provided, however*, that the term “*Guarantee*” will not include endorsements for collection or deposit in the ordinary course of business. The term “*Guarantee*” used as a verb has a corresponding meaning.

“*Guarantor*” means the Parent and any Subsidiary Guarantor.

“*Holder*” means each Person in whose name the Notes are registered on the Registrar’s books, which shall initially be the respective nominee of DTC.

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; and the terms “*Incurred*” and “*Incurrence*” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “*Incurred*” at the time any funds are borrowed thereunder.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication), (a) indebtedness of such Person for borrowed money, including indebtedness evidenced by bonds, debentures, notes or other similar instruments, if and to the extent such indebtedness would appear as a liability upon a balance sheet of such Person (excluding any notes thereto) prepared on the basis of GAAP, and (b) all Indebtedness of others guaranteed by such Person.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in this Indenture, and (other than with respect to guarantees of Indebtedness specified in clause (b) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of GAAP.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) contingent obligations Incurred in the ordinary course of business;
- (ii) in connection with the purchase by a Person of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or
- (iii) for the avoidance of doubt, any obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

“*Intangible Assets*” means the value (net of applicable reserves), as shown on or reflected in the Parent’s most recent consolidated balance sheet, of (i) all trade names, trademarks, licenses,

patents, copyrights and goodwill, (ii) organizational and development costs, (iii) deferred charges (other than prepaid items such as insurance, taxes, interest, commissions, rents and similar items and tangible assets being amortized) and (iv) unamortized debt discount and expenses, less unamortized premium.

“*interest*” means, with respect to the Notes, interest and Additional Interest.

“*Investment Grade Rating*” means (i) with respect to Moody’s, a rating equal to or higher than Baa3 (or the equivalent), (ii) with respect to S&P, a rating equal to or higher than BBB- (or the equivalent), and (iii) with respect to Fitch, a rating equal to or higher than BBB- (or the equivalent) (or, in each case, if such Rating Agency ceases to rate the Notes for reasons outside of the Company’s control, the equivalent investment grade credit rating from any Rating Agency selected by the Company as a replacement Rating Agency).

“*Issue Date*” means December 6, 2018.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

“*Note Documents*” means the Notes (including Additional Notes) and this Indenture.

“*Note Guarantee*” has the meaning given to such term in Section 10.01.

“*Notes*” means, collectively, the 2024 Notes, the 2026 Notes and the 2028 Notes.

“*Obligors*” means, collectively, the Issuers and the Guarantors.

“*Offering Memorandum*” means the offering memorandum of the Issuers dated as of December 3, 2018 in connection with the offering and sale of the Notes.

“*Officer*” means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of this Indenture by the Board of Directors of such Person.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee. The legal counsel may be an employee of or counsel to the Parent or its Subsidiaries.

“*Original 2024 Notes*” means the \$1,000,000,000 aggregate principal amount of the 4.875% Senior Notes due 2024 of the Issuers issued under this Indenture on the Issue Date.

“*Original 2026 Notes*” means the \$500,000,000 aggregate principal amount of the 5.350% Senior Notes due 2026 of the Issuers issued under this Indenture on the Issue Date.

“*Original 2028 Notes*” means the \$500,000,000 aggregate principal amount of the 5.550% Senior Notes due 2028 of the Issuers issued under this Indenture on the Issue Date.

“*Original Notes*” means, collectively, the Original 2024 Notes, the Original 2026 Notes and the Original 2028 Notes.

“*Parent*” means NXP Semiconductors N.V. or any successor thereto.

“*Participating Broker-Dealer*” has the meaning set forth in the Registration Rights Agreement.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Subsidiary (or at the time the Company or a Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Subsidiary); provided, however, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Subsidiary (or such acquisition of such property, other assets or stock); provided, further, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (2) Liens on assets or property of the Company or any Subsidiary securing Indebtedness or other obligations of the Company or such Subsidiary owing to the Company or another Subsidiary, or Liens in favor of the Company or any Subsidiary;
- (3) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously permitted to be secured under this Indenture;
- (4) Liens on assets or property of the Company or any Subsidiary securing hedging obligations; and

- (5) other Liens (including successive extensions, renewals, alterations or replacements thereof) not excepted by clauses (1) through (3) above, provided that after giving effect thereto the aggregate principal amount of the Secured Indebtedness of the Company and its Significant Subsidiaries secured by such Liens does not exceed the greater of (A) \$1,250 million and (B) 15% of the Consolidated Net Tangible Assets, in each case after giving effect to such Incurrence and the application of the proceeds therefrom.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock*” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Principal Property*” means property, plant and equipment owned by the Company or any Significant Subsidiary, provided that the book value of such property is an amount greater than 1.00% of Consolidated Net Tangible Assets.

“*Rating Agencies*” means each of Moody’s, S&P and Fitch or any of their respective successors, provided that, if any of Moody’s, S&P and Fitch or all of them shall cease rating the Notes (for reasons outside the control of the Company), the Company shall select any other Nationally Recognized Statistical Rating Organization.

“*Refinance*” means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms “*refinances*,” “*refinanced*” and “*refinancing*” as used for any purpose in this Indenture shall have a correlative meaning.

“*Refinancing Indebtedness*” means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of this Indenture or Incurred in compliance with this Indenture (including Indebtedness of the Company that refinances Indebtedness of any Subsidiary of the Company and Indebtedness of any Subsidiary of the Company that refinances Indebtedness of the Company or another Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the applicable series of Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being

refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

- (3) if the Indebtedness being refinanced is expressly subordinated to the applicable series of Notes, such Refinancing Indebtedness is subordinated to such Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

*provided, however*, that Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

“*Registration Rights Agreement*” means the Registration Rights Agreement related to the Original Notes, dated as of the Issue Date, among the Issuers, the Guarantors and the initial purchasers named therein and, with respect to any Additional Notes, one or more registration rights agreements between the Issuers and the other parties thereto, relating to rights given by the Issuers to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

“*Responsible Officer*” means, when used with respect to the Trustee, any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such individual’s knowledge of and familiarity with the particular subject.

“*Revolving Credit Agreement*” means the revolving credit agreement entered into on December 7, 2015 by, among others, the Company and the Co-Issuer, as borrowers, Morgan Stanley Senior Funding, Inc., as collateral agent, Morgan Stanley Senior Funding, Inc. as administrative agent, Citibank, N.A., as letter of credit issuer, Morgan Stanley Senior Funding, Inc., Barclays Bank plc, Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC and Bank of America, N.A., as joint-lead arrangers and joint bookrunners and Goldman Sachs Lending Partners LLC, Citigroup Markets Limited and Coöperative Centrale Raiffeisen-Boerenleenbank B.A., as co-managers, as may be amended, supplemented or otherwise modified from time to time, and any Refinancing Indebtedness in respect thereto.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Sale and Leaseback Transaction*” means an arrangement relating to any Principal Property owned by the Company or a Significant Subsidiary on the Issue Date or thereafter acquired by the Company or a Significant Subsidiary whereby the Company or a Significant Subsidiary transfers such property to a Person and the Company or a Significant Subsidiary leases it from such Person.

“*SEC*” means the U.S. Securities and Exchange Commission or any successor thereto.

“*Secured Indebtedness*” means any Indebtedness secured by a Lien and any Attributable Lien.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Significant Subsidiary*” means any Subsidiary that meets any of the following conditions:

- (1) the Company’s and its Subsidiaries’ investments in and advances to the Subsidiary exceed 10% of the Total Assets of the Parent and its Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Company’s and its Subsidiaries’ proportionate share of the Total Assets (after intercompany eliminations) of the Subsidiary exceeds 10% of the Total Assets of the Parent and its Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Company’s and its Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Subsidiary exclusive of any amounts attributable to any non-controlling interests exceeds 10% of such income of the Company and its Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“*Stated Maturity*” means, with respect to any indebtedness or security, the date specified in such indebtedness or security as the fixed date on which the payment of principal of such indebtedness or security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes pursuant to a written agreement.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are

owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

- (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Subsidiary Guarantor*” means any Subsidiary of the Parent that Guarantees the Notes.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

“*TIA*” means the Trust Indenture Act of 1939, as amended.

“*Total Assets*” means the consolidated total assets of the Parent and its Subsidiaries in accordance with GAAP as shown on the most recent consolidated balance sheet of the Parent.

“*Treasury Rate*” means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by an Officer or the Board of Directors in good faith)) most nearly equal to the period from the redemption date to February 1, 2024 (the date one month prior to the maturity date of the 2024 Notes), with regard to the 2024 Notes, or January 1, 2026 (the date two months prior to the maturity date of the 2026 Notes), with regard to the 2026 Notes, or September 1, 2028 (the date three months prior to the maturity date of the 2028 Notes), with regard to the 2028 Notes; provided, however, that if the period from the redemption date to February 1, 2024 (the date one month prior to the maturity date of the 2024 Notes), with regard to the 2024 Notes, or January 1, 2026 (the date two months prior to the maturity date of the 2026 Notes), with regard to the 2026 Notes, or September 1, 2028 (the date three months prior to the maturity date of the 2028 Notes), with regard to the 2028 Notes, is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to such applicable date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*U.S. Government Obligations*” means securities that are (1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally Guaranteed as a full faith and credit obligation of the United States of America, which, in either case, are not

callable or redeemable at the option of the Company thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Obligations or a specific payment of principal of or interest on any such U.S. Government Obligations held by such custodian for the account of the holder of such depositary receipt, *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligations or the specific payment of principal of or interest on the U.S. Government Obligations evidenced by such depositary receipt.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“*Wholly Owned Subsidiary*” means a Subsidiary of the Company or the Parent, as applicable, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or the Parent, as applicable, or another Wholly Owned Subsidiary) is owned by the Company or the Parent, as applicable, or another Wholly Owned Subsidiary.

SECTION 1.02.

Other Definitions

<u>Term</u>	<u>Defined in Section</u>
“Additional 2024 Notes”	2.01
“Additional 2026 Notes”	2.01
“Additional 2028 Notes”	2.01
“Additional Amounts”	4.02(a)
“Additional Notes”	2.01
“Agent Members”	Appendix A
“Applicable Law”	11.15
“Applicable Procedures”	Appendix A
“Authorized Agent”	11.10
“Co-Issuer”	Preamble
“Company”	Preamble
“covenant defeasance option”	8.01(b)
“defeasance trust”	8.02(a)(1)
“Definitive Note”	Appendix A
“Event of Default”	6.01(a)
“Global Note Legend”	Appendix A
“Guaranteed Obligations”	10.01(a)
“Issuers”	Preamble
“legal defeasance option”	8.01(b)
“Notes Custodian”	Appendix A
“Offer to Purchase”	4.03(a)
“Offer Expiration Date”	4.03(c)
“Paying Agent”	2.04(a)



<u>Term</u>	<u>Defined in Section</u>
“Payor”	4.02(a)
“Permitted Payments”	4.06(c)
“Private Placement Legend”	Appendix A
“protected purchaser”	2.08
“purchase date”	4.03(c)
“Purchase Price”	4.03(c)
“QIB”	Appendix A
“Qualified Institutional Buyer”	Appendix A
“Regulation S”	Appendix A
“Regulation S Notes”	Appendix A
“Relevant Taxing Jurisdiction”	4.02(a)(3)
“Registrar”	2.04(a)
“Restricted Period”	Appendix A
“Restricted Notes Legend”	Appendix A
“Rule 144A”	Appendix A
“Rule 144A Notes”	Appendix A
“Successor Company”	5.01(a)(1)
“Successor Parent”	5.03(a)(1)
“Transfer Agent”	2.04(a)
“Transfer Restricted Notes”	Appendix A
“Trustee”	Preamble

SECTION 1.03.

Incorporation by Reference of TIA

Whenever this Indenture refers to a provision of the TIA, the portion of such provision required to be incorporated herein in order for this Indenture to be qualified under the TIA is incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

“Commission” means the SEC.

“indenture securities” means the Notes and the Note Guarantees.

“indenture security holder” means a Holder.

“indenture to be qualified” means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

“obligor on the indenture securities” means the Issuers, the Guarantors and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04.

Rules of Construction

Unless the context otherwise requires:

- GAAP;
- (a) a term has the meaning assigned to it;
  - (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
  - (c) “or” is not exclusive;
  - (d) “including” means including without limitation;
  - (e) words in the singular include the plural and words in the plural include the singular;
  - (f) whenever in this Indenture there is mentioned, in any context, principal, interest or any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Interest to the extent that, in such context, Additional Interest is, was or would be payable in respect thereof; and
  - (g) unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness merely by virtue of its nature as unsecured Indebtedness.

ARTICLE 2

The Notes

SECTION 2.01.

Issuable in Series

The 2024 Notes are a single series and shall be substantially identical except as to denomination. The 2026 Notes are a single series and shall be substantially identical except as to denomination. The 2028 Notes are a single series and shall be substantially identical except as to denomination. Additional Notes issued after the Issue Date may be issued in one or more series. The Issuers may, without the consent of the Holders, increase the principal amount of the 2024 Notes and/or the 2026 Notes and/or the 2028 Notes by issuing additional 2024 Notes (“*Additional 2024 Notes*”) and/or additional 2026 Notes (“*Additional 2026 Notes*”) and/or additional 2028 Notes (“*Additional 2028 Notes*”) and, together with the Additional 2024 Notes and the Additional 2026 Notes, the “*Additional Notes*”, as applicable, in the future on the same terms and conditions, except for any differences in the issue price, the interest (whether accrued prior to the issue date of the Additional Notes or otherwise) or the maturity. The Additional Notes will have the same CUSIP number as the 2024 Notes, the 2026 Notes or the 2028 Notes, as applicable, provided that any Additional Notes that are not fungible with the 2024 Notes, the 2026 Notes or the 2028 Notes, as applicable, for U.S. federal income tax purposes will be issued under a separate CUSIP number.

With respect to any Additional Notes issued after the Issue Date (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.07, 2.08, 2.09, 2.10 or 3.06 or Appendix A), there shall be (a) established in or pursuant to a resolution of the Board of Directors of the Company and (b)(i) set forth or determined in the manner provided in an Officer's Certificate of the Company or (ii) established in one or more indentures supplemental hereto, prior to the issuance of such Additional Notes:

- (1) whether such Additional Notes shall be issued as part of a new or existing series of Notes and the title of such Additional Notes (which shall distinguish the Additional Notes of the series from Notes of any other series);
- (2) the aggregate principal amount of such Additional Notes which may be authenticated and delivered under this Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes of the same series pursuant to Sections 2.07, 2.08, 2.09, 2.10 or 3.06 or Appendix A and except for Notes which, pursuant to Section 2.03, are deemed never to have been authenticated and delivered hereunder);
- (3) the date or dates on which the principal of any such Additional Notes is payable, or the method by which such date or dates shall be determined or extended;
- (4) the issue price and issuance date of such Additional Notes, including the date from which interest on such Additional Notes shall accrue, the rate or rates at which such Additional Notes shall bear interest, if any, or the method by which such rate or rates shall be determined, the date or dates on which such interest shall be payable and the record date, if any, for the interest payable on any interest payment date;
- (5) the period or period within the date or dates on which, the price or prices at which and the terms and conditions upon which any such Additional Notes may be redeemed, in whole or in part, at the option of the Issuers; and
- (6) if applicable, that such Additional Notes shall be issuable in whole or in part in the form of one or more Global Notes and, in such case, the respective depositaries for such Global Notes, the form of any legend or legends which shall be borne by such Global Notes in addition to or in lieu of those set forth in Exhibit A hereto and any circumstances in addition to or in lieu of those set forth in Section 2.3 of Appendix A in which any such Global Note may be exchanged in whole or in part for Additional Notes registered, or any transfer of such Global Note in whole or in part may be registered, in the name or names of Persons other than the depositary for such Global Note or a nominee thereof.

If any of the terms of any Additional Notes are established by action taken pursuant to a resolution of the Board of Directors, a copy of an appropriate record of such action shall be certified by an Officer's Certificate and delivered to the Trustee at or prior to the delivery of the Officer's Certificate of the Company or the indenture supplemental hereto setting forth the terms of the Additional Notes.

This Indenture is unlimited in aggregate principal amount. The Original Notes and, if issued, any Additional Notes will be treated as a single class for all purposes under this

Indenture, including with respect to voting, waivers, amendments, redemptions and offers to purchase, except as otherwise specified with respect to a new series of Additional Notes.

SECTION 2.02.

Form and Dating

Provisions relating to the Notes are set forth in Appendix A, which is hereby incorporated in and expressly made a part of this Indenture. The (a) Original Notes and (b) any Additional Notes (if issued as Transfer Restricted Notes) shall each be substantially in the form of Exhibit A-1 or Exhibit A-2, as applicable (in the event of Additional Notes, with such changes as may be required to reflect any differing terms), which are hereby incorporated in and expressly made a part of this Indenture. Any Additional Notes issued other than as Transfer Restricted Notes shall each be substantially in the form of Exhibit A-1 or Exhibit A-2, as applicable (without the Restricted Notes Legend), which are hereby incorporated in and expressly made part of this Indenture. The Notes may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Issuers are subject, if any, or usage, *provided* that any such notation, legend or endorsement is in a form acceptable to the Company and the Trustee. Each Note shall be dated the date of its authentication. The Notes shall be issuable only in registered form and only in minimum denominations of \$2,000 and whole multiples of \$1,000 in excess thereof.

SECTION 2.03.

Execution and Authentication

One Officer shall sign the Notes for each Issuer by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until an authorized signatory of the Trustee or an authentication agent manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee or an authentication agent shall authenticate and make available for delivery Notes as set forth in Appendix A following receipt of an authentication order signed by an Officer of each Issuer directing the Trustee or an authentication agent to authenticate such Notes.

The Trustee may appoint an authentication agent reasonably acceptable to the Issuers to authenticate the Notes. Any such appointment shall be evidenced by an instrument signed by a Responsible Officer, a copy of which shall be furnished to the Issuers. Unless limited by the terms of such appointment, an authentication agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authentication agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.04.

Registrar, Transfer Agent and Paying Agent

- (a) The Issuers shall maintain a registrar (the “*Registrar*”) and a transfer agent in the Borough of Manhattan, City of New York where Notes may be presented for transfer or

exchange (the “*Transfer Agent*”) and for payment (the “*Paying Agent*”). The Registrar shall keep a register of the Notes of their transfer and exchange. The Issuers initially appoint Deutsche Bank Trust Company Americas, in the Borough of Manhattan, City of New York, who has accepted such appointment, as Paying Agent for the Notes. The Issuers initially appoint Deutsche Bank Trust Company Americas, in the Borough of Manhattan, City of New York, who has accepted such appointment, as Registrar and Transfer Agent. Deutsche Bank Trust Company Americas will act as Registrar, Transfer Agent and Paying Agent in connection with the Global Notes with respect to the Notes settled through DTC.

(b) The Issuers shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to or appointed under this Indenture. Such agreement shall implement the provisions of this Indenture that relate to such agent, including applicable terms of the TIA that are incorporated into this Indenture. Any Registrar or Paying Agent appointed hereunder shall be entitled to the benefits of this Indenture as though a party hereto. The Issuers shall notify the Trustee of the name and address of any such agent. If the Issuers fail to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. Either Issuer or any Subsidiary may act as Paying Agent or Registrar.

(c) The Issuers may change any Registrar, Paying Agent or Transfer Agent upon written notice to such Registrar, Paying Agent or Transfer Agent and to the Trustee, without prior notice to the Holders; *provided, however*, that no such removal shall become effective until (i) acceptance of an appointment by a successor as evidenced by an appropriate agreement entered into by the Issuers and such successor Registrar, Paying Agent, or Transfer Agent, as the case may be, and delivered to the Trustee or (ii) written notification to the Trustee that the Trustee shall, to the extent that it determines that it is able, serve as Registrar or Paying Agent or Transfer Agent until the appointment of a successor in accordance with clause (i) above.

(d) Interest shall be calculated by applying the applicable rate to the principal amount of each Note outstanding at the commencement of the interest period, computed on the basis of a 360-day year comprised of twelve 30-day months and rounding the resultant figure upwards to the nearest available currency unit. The determination of interest by the Paying Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties.

#### SECTION 2.05.

#### Paying Agent to Hold Money in Trust

No later than 10:00 a.m. New York time on each due date of the principal of, interest and premium (if any) on any Note, the Issuers shall deposit with the Paying Agent (or if either Issuer is acting as Paying Agent, segregate and hold in trust for the benefit of the Persons entitled thereto) a sum sufficient to pay such principal, interest and premium (if any) when so becoming due and subject to receipt of such monies, the Paying Agent shall make payment on the Notes in accordance with this Indenture. The Issuers shall require each Paying Agent to agree in writing (and each Paying Agent party to this Indenture agrees) that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, interest and premium (if any) on the Notes, but such Paying Agent

may use such monies as banker in the ordinary course of business without accounting for profits (other than in the case of Article 8), and shall notify the Trustee of any default by the Issuers in making any such payment. If either Issuer acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee. For the avoidance of doubt, the Paying Agent and the Trustee shall be held harmless and have no liability with respect to payments or disbursements to be made by the Paying Agent and Trustee for which payment instructions are not made or that are not otherwise deposited by the respective times set forth in this Section 2.05.

SECTION 2.06.

Holder Lists

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar with respect to a series of Notes, the Issuers shall furnish, or cause the Registrar to furnish, to the Trustee, in writing at least five Business Days before each interest payment date with respect to such series of Notes and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders of such series.

SECTION 2.07.

Transfer and Exchange

The Notes shall be issued in registered form and shall be transferable only upon the surrender of a Note for registration of transfer and in compliance with Appendix A. When a Note of any series is presented to the Registrar with a request to register a transfer, the Registrar shall register the transfer as requested if its requirements therefor are met. When Notes of any series are presented to the Registrar with a written request to exchange them for an equal principal amount of Notes of the same series of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. To permit registration of transfers and exchanges, the Issuers shall execute and the Trustee or an authentication agent shall authenticate Notes at the Registrar's request. The Issuers may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section. The Issuers are not required to register the transfer or exchange of any Notes (i) for a period of 15 days prior to any date fixed for the redemption of any Notes, (ii) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part or (iii) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Triggering Event.

Prior to the due presentation for registration of transfer of any Note, the Issuers, the Trustee, the Paying Agent, and the Registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal and (subject to Section 2 of the Notes) interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of either Issuer, the Trustee, the Paying Agent, or the Registrar shall be affected by notice to the contrary.

Any Holder of a Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interest in such Global Note may be effected only through a book-entry system maintained by (a) the Holder of such Global Note (or its agent) or (b) any Holder of a beneficial interest in such Global Note, and that ownership of a beneficial interest in such Global Note shall be required to be reflected in a book entry.

All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

SECTION 2.08.

Replacement Notes

If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Issuers shall issue and the Trustee or an authentication agent shall authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code are met, such that the Holder (a) notifies the Issuers or the Trustee within a reasonable time after such Holder has notice of such loss, destruction or wrongful taking and the Registrar does not register a transfer prior to receiving such notification, (b) makes such request to the Issuers or the Trustee prior to the Note being acquired by a protected purchaser as defined in Section 8-303 of the Uniform Commercial Code (a "*protected purchaser*") and (c) satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Issuers, such Holder shall furnish an indemnity bond sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, the Paying Agent and the Registrar from any loss that any of them may suffer if a Note is replaced. The Issuers and the Trustee may charge the Holder for their expenses in replacing a Note including reasonable fees and expenses of counsel. In the event any such mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuers in their discretion may pay such Note instead of issuing a new Note of the same series in replacement thereof.

Every replacement Note is an additional obligation of the Issuers.

The provisions of this Section 2.08 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, lost, destroyed or wrongfully taken Notes.

SECTION 2.09.

Outstanding Notes

Notes outstanding at any time are all Notes authenticated by the Trustee or an authentication agent except for those canceled by it, those delivered to it for cancellation and those described in this Section 2.09 as not outstanding. Subject to Section 11.06, a Note does not cease to be outstanding because the Issuers or an Affiliate of either Issuer holds the Note.

If a Note is replaced pursuant to Section 2.08, it ceases to be outstanding unless the Trustee and the Issuers receive proof satisfactory to them that the replaced Note is held by a protected purchaser.

If the Paying Agent receives (or if either Issuer is acting as Paying Agent and such Paying Agent segregates and holds in trust) in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest and premium, if any, payable on that date with respect to the Notes (or portions thereof) to be redeemed or maturing, as the case may be, and the Paying Agent is not prohibited from paying such amount to the Holders on that date pursuant to the terms of this Indenture, then on and after that date such Notes (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.10.

Temporary Notes

In the event that Definitive Notes are to be issued under the terms of this Indenture, until such Definitive Notes are ready for delivery, the Issuers may prepare and the Trustee or an authentication agent shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Issuers consider appropriate for temporary Notes. Without unreasonable delay, the Issuers shall prepare and the Trustee or an authentication agent shall authenticate Definitive Notes and deliver them in exchange for temporary Notes upon surrender of such temporary Notes at the office or agency of the Issuers, without charge to the Holder.

SECTION 2.11.

Cancellation

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment or cancellation and shall dispose of canceled Notes in accordance with its customary procedures or deliver canceled Notes to the Issuers pursuant to written direction by an Officer of either Issuer. Certification of the destruction of all canceled Notes shall be delivered to the Issuers. The Issuers may not issue new Notes to replace Notes it has redeemed, paid or delivered to the Trustee for cancellation. Neither the Trustee nor an authentication agent shall authenticate Notes in place of canceled Notes other than pursuant to the terms of this Indenture.

SECTION 2.12.

Common Codes, CUSIP and ISIN Numbers

The Issuers in issuing the Notes may use Common Codes, CUSIP and ISIN numbers (if then generally in use) and, if so, the Trustee shall use Common Codes, CUSIP and ISIN numbers in notices of redemption as a convenience to Holders; *provided, however*, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Issuers will promptly notify the Trustee and the Paying Agent of any change in the Common Code, CUSIP or ISIN numbers.

SECTION 2.13.

Currency

The U.S. dollar, is the sole currency of account and payment for all sums payable by the Issuers under or in connection with the Notes, including damages. Any amount received



or recovered in a currency other than the U.S. dollar, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of either Issuer or otherwise by any Holder of a Note, as the case may be, or by the Trustee, in respect of any sum expressed to be due to it from the Issuers will only constitute a discharge to the Issuers to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient or the Trustee under any Note, the Issuers will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuers will indemnify the recipient or the Trustee against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuers (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuers' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any dollar-denominated restriction herein, the Dollar Equivalent amount for purposes hereof that is denominated in a non-dollar currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-dollar amount is Incurred or made, as the case may be.

The Company may elect irrevocably to convert all dollar-denominated restrictions into non dollar-denominated restrictions at the applicable spot rate of exchange prevailing on the date of such election, and all references in this Indenture to determining Dollar Equivalents and dollar amounts shall apply *mutatis mutandis* as though referring to non-dollar amounts.

SECTION 2.14.  
Offer under the Registration Rights Agreement

Certain Transfers in Connection with and After the Exchange

Notwithstanding any other provision of this Indenture:

- (a) no Exchange Notes issued may be exchanged by the Holder thereof for an Original Note;
- (b) accrued and unpaid interest on the Original Notes being exchanged in the Exchange Offer shall be due and payable on the next interest payment date for the Exchange Notes following the Exchange Offer and shall be paid to the Holder of the Exchange Notes issued in respect of the Original Notes being exchanged; and

- (c) interest on the Original Notes being exchanged in the Exchange Offer shall cease to accrue on (and including) the date of completion of the Exchange Offer and interest on the Exchange Notes to be issued in the Exchange Offer shall accrue from (but excluding) the date of the completion of the Exchange Offer.

SECTION 2.15. Exchange Offer

Upon the occurrence of the Exchange Offer with respect to the Notes of a series, the Issuers will issue and, upon a written order of the Company, the Trustee will authenticate:

- (a) one or more Global Notes of such series not bearing the Private Placement Legend in an aggregate principal amount equal to the principal amount of the beneficial interests in the Global Notes of such series bearing the Private Placement Legend that are accepted for exchange in the Exchange Offer by Persons that (i) are not Participating Broker-Dealers, (ii) are not participating in a distribution of the Exchange Notes and (iii) are not affiliates (as defined in Rule 144) of the Issuers, as evidenced by an Officer's Certificate from the Issuers to such effect; or
- (b) one or more Definitive Notes of such series not bearing the Private Placement Legend in an aggregate principal amount equal to the principal amount of the Definitive Notes of such series bearing the Private Placement Legend that are accepted for exchange in the Exchange Offer by Persons that (i) are not Participating Broker-Dealers, (ii) are not participating in a distribution of the Exchange Notes and (iii) are not affiliates (as defined in Rule 144) of the Issuers, as evidenced by an Officer's Certificate from the Issuers to such effect.

Concurrently with the issuance of such Notes, the Trustee will cause the aggregate principal amount of the applicable Global Notes bearing the Private Placement Legend to be reduced accordingly, and the Company will execute and the Trustee will authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Definitive Notes not bearing the Private Placement Legend in the appropriate principal amount.

ARTICLE 3

Redemption

SECTION 3.01. Notices to Trustee

If the Issuers elect to redeem Notes pursuant to Sections 5 or 6 of the Notes, they shall notify the Trustee and the relevant Paying Agent in writing of the redemption date and the series and principal amount of Notes to be redeemed and the section of the Note pursuant to which the redemption will occur.

The Issuers shall give each written notice to the Trustee and the relevant Paying Agent provided for in this Article 3 at least 15 days, but not more than 60 days, before the redemption date unless the Trustee or the relevant Paying Agent (as the case may be) consents to a shorter period. In the case of a redemption pursuant to Section 5 of the Notes, such notice shall

be accompanied by an Officer's Certificate from the Issuers to the effect that such redemption will comply with the conditions herein.

In the case of a redemption provided for by Section 6 of the Note, prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver to the Trustee (a) an Officer's Certificate stating that they are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to their right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the circumstances referred to above exist. The Trustee will accept such Officer's Certificate and opinion as sufficient existence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders. Any such notice may be canceled at any time prior to notice of such redemption being mailed to any Holder and shall thereby be void and of no effect.

SECTION 3.02.

Selection of Notes To Be Redeemed or Repurchased

If less than all of the Notes of a series are to be redeemed at any time, the Trustee or the Registrar, as applicable, will select the Notes of such series for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes of such series are listed, as certified to the Trustee or the Registrar, as applicable, by the Issuers, and in compliance with the requirements of DTC, or if the Notes of such series are not so listed or such exchange prescribes no method of selection and the Notes of such series are not held through DTC, or DTC prescribes no method of selection, on a pro rata basis; *provided, however*, that no Note of \$2,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of \$1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made by it in accordance with this Section. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee or the Registrar, as applicable, shall notify the Issuers promptly of the Notes or portions of Notes to be redeemed.

SECTION 3.03.

Notice of Redemption.

(a) At least 15 days but not more than 60 days before a date for redemption of Notes, the Issuers shall transmit a notice of redemption in accordance with Section 11.03 and as provided below to each Holder of Notes to be redeemed at such Holder's registered address; *provided, however*, that any notice of a redemption provided for by Section 6 of the Notes shall not be given (i) earlier than 90 days prior to the earliest date on which the Payor would be obligated to make a payment of Additional Amounts if a payment in respect of the Notes were then due and (ii) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

The notice shall identify the Notes of a series to be redeemed and shall state:

- (1) the redemption date;
- (2) the redemption price, and, if applicable, the appropriate calculation of such redemption price and the amount of accrued interest to the redemption date;

- (3) the name and address of the Paying Agent;
- (4) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (5) if fewer than all the outstanding Notes of a series are to be redeemed, the certificate numbers and principal amounts of the particular Notes to be redeemed;
- (6) that, unless the Issuers default in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on the Notes (or portion thereof) called for redemption ceases to accrue on and after the redemption date;
- (7) the Common Codes, CUSIP or ISIN number, as applicable, if any, printed on the Notes being redeemed; and
- (8) that no representation is made as to the correctness or accuracy of the Common Codes, CUSIP or ISIN number, as applicable, if any, listed in such notice or printed on the Notes being redeemed.
- (b) At the Issuers' request, the Trustee shall give the notice of redemption in the Issuers' name and at the Issuers' expense. In such event, the Issuers shall provide the Trustee and the Paying Agent with the information required and within the time periods specified by this Section 3.03.

#### SECTION 3.04.

#### Effect of Notice of Redemption

Once notice of redemption is delivered, Notes called for redemption cease to accrue interest, become due and payable on the redemption date and at the redemption price stated in the notice, *provided, however*, that any redemption notice given in respect of the redemption referred to in Section 5 of the Notes may, at the Issuers' discretion, be subject to the satisfaction of one or more conditions precedent to the extent permitted under such Section 5. Upon surrender to the Paying Agent, the Notes shall be paid at the redemption price stated in the notice, plus accrued interest, if any, to the redemption date; *provided, however*, that if the redemption date is after a regular record date and on or prior to the interest payment date, the accrued interest shall be payable to the Holder of the redeemed Notes registered on the relevant record date. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

#### SECTION 3.05.

#### Deposit of Redemption Price

No later than 10:00 a.m. New York time on the redemption date, the Issuers shall deposit with the relevant Paying Agent (or, if either Issuer is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Notes or portions thereof to be redeemed on that date other than Notes or portions of Notes called for redemption that have been delivered by the Issuers to the Trustee for cancellation. On and after the redemption date, interest shall cease to accrue on Notes or portions thereof called for redemption so long as the Issuers have deposited with the Paying Agent funds sufficient to

pay the principal of, plus accrued and unpaid interest, if any, on, the Notes to be redeemed, unless the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture. For the avoidance of doubt, the Paying Agent and the Trustee shall be held harmless and have no liability with respect to payments or disbursements to be made by the Paying Agent and Trustee for which payment instructions are not made or that are not otherwise deposited by the respective times set forth in this Section 3.05.

SECTION 3.06.

Notes Redeemed in Part

Subject to the terms hereof, upon surrender of a Note that is redeemed in part, the Issuers shall execute, and the Trustee or an authentication agent shall authenticate, for the Holder (at the Issuers' expense) a new Note of the same series equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.07.

Publication

Where any notice is required to be published or delivered to DTC pursuant to this Indenture, the Issuers must provide the form of such notice to the Trustee and the Paying Agents at least 8 Business Days prior to the final date for publication unless the Trustee agrees to a shorter period.

ARTICLE 4

Covenants

SECTION 4.01.

Payment of Notes

The Issuers shall promptly pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture.

SECTION 4.02.

Withholding Taxes

(a) All payments made by or on behalf of either Issuer, a Successor Company or a Guarantor (a "Payor") on the Notes or the Note Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) The Netherlands or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Note Guarantee is made by the relevant Payor or its agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is incorporated or organized, engaged in business for tax purposes, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a “*Relevant Taxing Jurisdiction*”),

will at any time be required from any payments made with respect to any Note or Note Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by the Holders after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Note Guarantee in the absence of such withholding or deduction; provided, however, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment or a dependent agent in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment in respect thereof;
- (2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;
- (3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal, premium, if any, or interest on the Notes;
- (4) any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar Taxes;
- (5) any Taxes imposed in connection with a Note presented for payment (where presentation is required for payment) by or on behalf of a Holder or beneficial owner who

would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent;

- (6) any Taxes imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement); or
- (7) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (7) inclusive above.

- (b) The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor, and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per \$1,000 principal amount of the Notes.
- (c) If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.
- (d) Wherever in this Indenture or the Note Guarantees there is mentioned, in any context:
  - (1) the payment of principal,
  - (2) purchase prices in connection with a purchase of Notes,

(3) interest, or

(4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described in this Section 4.02 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

(e) The Payors will pay any present or future stamp, court or documentary taxes, or any other excise, property or similar Taxes, that arise in any Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of any Notes, this Indenture or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes), and the Payors agree to indemnify the Holders for any such taxes paid by such Holders.

(f) The foregoing obligations of this Section 4.02 will survive any termination, defeasance or discharge of this Indenture and will apply *mutatis mutandis* to any subsequent Relevant Taxing Jurisdiction.

#### SECTION 4.03.

#### Offer to Repurchase upon Change of Control Triggering Event

(a) Not later than 60 days following a Change of Control Triggering Event with respect to a series of Notes, unless the Issuers have exercised their right to redeem all of the Notes of such series as described under Section 5 of the Notes of such series, the Issuers will make an Offer to Purchase all of the outstanding Notes of such series at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to, but excluding, the purchase date. Notwithstanding anything to the contrary herein, an Offer to Purchase may be made in advance of a Change of Control Triggering Event, conditional upon the occurrence of the applicable Change of Control or Change of Control Triggering Event.

(b) An "Offer to Purchase" means an offer by the Company, the Co-Issuer or both Issuers to purchase Notes of a series as required by this Indenture. An Offer to Purchase must be made by written offer (the "offer") sent to the Holders. The Issuers will notify the Trustee, at least 5 Business Days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders, of their obligation to make an Offer to Purchase, and the offer will be sent by the Company, the Co-Issuer or the Issuers or, at their written request, by the Trustee in their name and at their expense.

(c) The offer must include or state the following, which shall (where applicable) be the terms of the Offer to Purchase:

(1) the provision of this Indenture pursuant to which the Offer to Purchase is being made;

(2) the aggregate principal amount of the outstanding Notes offered to be purchased pursuant to the Offer to Purchase (the "purchase amount");



(3) the purchase price, including the portion thereof representing accrued and unpaid interest (the "Purchase Price");

(4) an expiration date not less than 30 days or more than 60 days after the date of the offer (the "Offer Expiration Date") and a settlement date for purchase (the "purchase date") not more than five Business Days after the Offer Expiration Date;

(5) that a Holder may tender all or any portion of its Notes of the applicable series pursuant to an Offer to Purchase, subject to the requirement that any portion of a Note tendered must be in denominations of \$2,000 principal amount and integral multiples of \$1,000 in excess thereof;

(6) the place or places where Notes are to be surrendered for tender pursuant to the Offer to Purchase;

(7) that each Holder electing to tender a Note pursuant to the offer will be required to surrender such Note at the place or places specified in the offer prior to the close of business on the Offer Expiration Date (such Note being, if the Issuers or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

(8) that interest on any Note of such series not tendered, or tendered but not purchased by the Company, the Co-Issuer or the Issuers, as applicable, pursuant to the Offer to Purchase, will continue to accrue;

(9) on the purchase date the Purchase Price will become due and payable on each Note accepted for purchase pursuant to the Offer to Purchase, and interest on Notes purchased will cease to accrue on and after the purchase date;

(10) a statement that, if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Company, the Co-Issuer or the Issuers will purchase all such Notes;

(11) a statement that if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note will be issued;

(12) a statement that if any Note contains a CUSIP number, no representation is being made as to the correctness of the CUSIP number either as printed on the Notes or as contained in the offer and that the Holder should rely only on the other identification numbers printed on the Notes; and

(13) a statement that, if the Notes are held in book entry form, Holders must comply with the applicable procedures of the Depository.

(d) Prior to the purchase date, the Company, the Co-Issuers, or the Issuers, as applicable, will accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Trustee all Notes so accepted together with an Officers'

Certificate specifying which Notes have been accepted for purchase. On the purchase date the Purchase Price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the purchase date. The Trustee will promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

(e) The Issuers will not be required to make an Offer to Purchase upon a Change of Control Triggering Event with respect to a series of Notes if (i) a third party makes the offer to purchase in the manner, at the times and otherwise in compliance with the requirements set forth pursuant to this Section 4.03 and purchases all such Notes validly tendered and not withdrawn under such Offer to Purchase or (ii) a notice of redemption has been given pursuant to Section 5 of the Notes.

(f) The Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this Section 4.03. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this Indenture, the Issuers will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached their obligations, or require a repurchase of the Notes, under the Change of Control Triggering Event provisions of this Indenture by virtue of the conflict.

#### SECTION 4.04.

#### U.S. Federal Income Tax Treatment of the Co-Issuer

The Co-Issuer may not hold any material assets, become liable for any material obligations or engage in any business activities, provided that it may be a co-obligor or Guarantor with respect to the Notes or any other Indebtedness issued by the Company or a Guarantor, and may engage in any activities directly related thereto or necessary in connection therewith. The Co-Issuer is treated as a disregarded entity of the Company for U.S. federal income tax purposes, and for so long as any of the Notes remain outstanding, the Issuers will not take any action that is inconsistent with the Co-Issuer being treated as a disregarded entity of the Company for U.S. federal income tax purposes.

#### SECTION 4.05.

#### Limitation on Liens

So long as any Notes of a series are outstanding, the Issuers will not, and will not permit any Significant Subsidiary to, issue or assume any Indebtedness if such Indebtedness is secured by a Lien, other than a Permitted Lien, upon any Principal Property of the Issuers or any Significant Subsidiary without:

(a) at the same time providing that the Notes of such series and the obligations hereunder with respect to such series are directly, equally and ratably secured with (or prior to, in the case of Liens with respect to Subordinated Indebtedness) the Indebtedness secured by such Lien for so long as such Indebtedness is so secured; or

(b) providing such other Lien for the Notes of such series and the obligations hereunder as may be approved by a majority in aggregate principal amount of Holders of Notes of such series.

SECTION 4.06.

Limitation on Sale and Leaseback Transactions

So long as the Notes of a series are outstanding, the Issuers will not, and will not permit any Significant Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any Principal Property unless:

(a) the Company or such Significant Subsidiary would be entitled to incur Indebtedness secured by a Lien on the property to be leased in an amount equal to the Attributable Liens with respect to such Sale and Leaseback Transaction without equally and ratably securing the Notes of such series pursuant to Section 4.05 of this Indenture;

(b) the net proceeds of the sale of the Principal Property to be leased are applied within 365 days of the effective date of the Sale and Leaseback Transaction to (i) the purchase, construction, development or acquisition of another Principal Property or (ii) the repayment of (x) any series of Notes, (y) Indebtedness of the Issuers that ranks equally with, or is senior to, the Notes or (z) any Indebtedness of one or more Significant Subsidiaries; provided, in each case, that in lieu of applying such amount to such retirement, the Issuers may deliver Notes to the Trustee for cancellation, such Notes to be credited at the cost thereof to the Issuers;

(c) such Sale and Leaseback Transaction was entered into prior to the Issue Date;

(d) such Sale and Leaseback Transaction involves a lease for not more than three years (or which may be terminated by the Company or a Significant Subsidiary within a period of not more than three years); or

(e) such Sale and Leaseback Transaction with respect to any Principal Property was between only the Parent and a Subsidiary of the Parent or only between Subsidiaries of the Parent.

SECTION 4.07.

Guarantees by the Parent and Subsidiaries

The Parent and the following Subsidiaries will, jointly and severally, guarantee the Notes on a senior unsecured basis on the Issue Date in accordance with Article 10: NXP Semiconductors Netherlands B.V. and NXP USA, Inc.

SECTION 4.08.

Reports

(a) To the extent any Exchange Notes are outstanding, the Company shall deliver to the Trustee any reports, information and documents that the Parent is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act within 30 days after such report, information or document is required to be filed with the SEC. The Company also shall comply with the other provisions of TIA Section 314(a) to the extent applicable. Reports,

information and documents filed with the SEC via the EDGAR system will be deemed to be delivered to the Trustee as of the time of such filing via EDGAR for purposes of this Section 4.08, it being understood that the Trustee shall not be responsible for determining whether such filings have been made. Delivery of reports, information and documents to the Trustee under this Section 4.08(a) is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute constructive or actual notice of any information contained therein or determinable from information contained therein, including the Obligor's compliance with any of the covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates). All such reports, information or documents referred to in this Section 4.08 that the Parent files with the SEC via the SEC's EDGAR system shall be deemed to be filed with the Trustee and transmitted to Holders at the time such reports, information or documents are filed via the EDGAR system (or any successor system).

SECTION 4.09.

Compliance Certificate

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year, an Officer's Certificate in substantially the form of Exhibit C hereto (complying with TIA Section 314(a)(4) to the extent any Exchange Notes are outstanding) stating that a review of the activities of the Company during the preceding fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to the Officer signing such Officer's Certificate, that to the best of his or her knowledge, the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest or Additional Amounts, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto, and reciting the details of such action. Within 30 days after the occurrence of a Default, the Company shall deliver to the Trustee a written notice of any events of which it is aware would constitute certain Defaults their status and what action the Company is taking or proposes to take with respect thereto.

The Trustee shall not be deemed to have knowledge of any Default or Event of Default except any Default or Event of Default of which its Responsible Officer shall have received written notification in accordance with Section 11.03 or obtained actual knowledge.

SECTION 4.10.

Further Instruments and Acts

Upon request of the Trustee, the Issuers shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE 5

Successor Company

SECTION 5.01.

Merger and Consolidation of the Company

(a) The Company will not consolidate with or merge with or into, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets, in one transaction or a series of related transactions, to any Person, or permit any Person to consolidate with or merge with or into it, unless:

(1) either (a) the Company will be the surviving Person of any such consolidation or merger or any such sale, assignment, conveyance, lease, transfer or other disposition or (b) the resulting, surviving or transferee Person of any such consolidation or merger or any such sale, assignment, conveyance, lease, transfer or other disposition will be a Person organized and existing under the laws of any member state of the European Union on January 1, 2004, the United States of America, any state thereof or the District of Columbia, Canada or any province of Canada, Norway, Switzerland or Singapore (or, a Person not organized under such laws which agrees, in a form satisfactory to the Trustee, (i) to submit to the jurisdiction of the United States district court for the Southern District of New York, and (ii) to indemnify and hold harmless the Holders against certain Taxes and expenses due as a result of such transaction, if any), and, in the case of (y), such Person expressly assumes, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and this Indenture (any such Person under (a) or (b), a “*Successor Company*”);

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Company shall have delivered to the Trustee (i) an Officer’s Certificate and an Opinion of Counsel, each to the effect that such transaction and such supplemental indenture (if any) comply with this Indenture and (ii) an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that, in each case in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to satisfaction of Sections 5.01(a)(2).

The restriction in Section 5.01(a)(3) shall not be applicable to (A) the consolidation with or merger with or into the Company of, or the sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of the Company’s assets to, an Affiliate of the Company, if an Officer or the Company’s Board of Directors determines in good faith that the purpose of such transaction is principally to change the Company’s jurisdiction of incorporation or convert the Company’s form of organization to another form; or (B) the

consolidation with or merger with or into the Company of, or the sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of the Company's assets to, the Parent or a single Wholly Owned Subsidiary of the Company in accordance with applicable law, provided that, if no supplemental indenture needs to be executed in relation to such transaction, the Company will notify the Trustee of such transaction (but no Officer's Certificate or Opinion of Counsel shall need to be delivered to the Trustee in relation thereto).

(b) If any consolidation or merger or any sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of the Company's assets occurs in accordance with this Indenture, the Successor Company (if other than the Company) will succeed to, and be substituted for the Company and may exercise every right and power under this Indenture and the Notes with the same effect as if such Successor Company had been named in the Company's place in this Indenture, and the Company will be released from all its obligations and covenants under this Indenture and the Notes.

SECTION 5.02.

Merger and Consolidation of the Co-Issuer

(a) The Co-Issuer may not consolidate with, merge with or into any Person or permit any Person to merge with or into the Co-Issuer unless either (x) the Co-Issuer will be the surviving Person of any such consolidation or merger or (y) concurrently therewith, a Subsidiary of the Company that is a limited liability company or corporation organized under the laws of the United States of America, any state thereof or the District of Columbia (which may be the Co-Issuer or the continuing Person as a result of such transaction) expressly assumes all the obligations of the Co-Issuer under the Notes and this Indenture.

(b) Upon the consummation of any transaction effected in accordance with Section 5.02(a)(y), the resulting, surviving Co-Issuer will succeed to, and be substituted for the Co-Issuer and may exercise every right and power under this Indenture and the Notes with the same effect as if such successor Person had been named in the Co-Issuer's place in this Indenture and the Co-Issuer will be released from all its obligations and covenants under this Indenture and the Notes.

(c) Any such surviving or transferee Co-Issuer must be a disregarded entity for U.S. federal income tax purposes, which is either a direct Wholly Owned Subsidiary of the Company, or held through one or more Subsidiaries of the Company that are treated as disregarded entities for U.S. federal income tax purposes.

SECTION 5.03.

Merger and Consolidation of the Parent

(a) The Parent will not consolidate with or merge with or into, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets, in one transaction or a series of related transactions, to any Person, or permit any Person to consolidate with or merge with or into it, unless:

(1) either (x) the Parent will be the surviving Person of any such consolidation or merger or any such sale, assignment, conveyance, lease, transfer or other disposition or (y) the resulting, surviving or transferee Person of any such consolidation or merger or any such sale, assignment, conveyance, lease, transfer or other disposition will be a Person organized and existing under the laws of any member state of the European Union on January 1, 2004, the United States of America, any state thereof or the District of Columbia, Canada or any province of Canada, Norway, Switzerland or Singapore (or, a Person not organized under such laws which agrees (i) in a form satisfactory to the Trustee, to submit to the jurisdiction of the United States district court for the Southern District of New York, and (ii) to indemnify and hold harmless the Holders against certain Taxes and expenses due as a result of such transaction, if any), and, in the case of (y), such Person expressly assumes, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Parent under the Notes and this Indenture (any such Person under (x) or (y), a “*Successor Parent*”)

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Parent or any Subsidiary of the Successor Parent as a result of such transaction as having been Incurred by the Successor Parent or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) the Parent shall have delivered to the Trustee (i) an Officer’s Certificate and an Opinion of Counsel, each to the effect that such transaction and such supplemental indenture (if any) comply with this Indenture and (ii) an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Parent (in each case, in form and substance reasonably satisfactory to the Trustee), provided that, in each case, in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to the satisfaction of Section 5.03(a)(2) above.

(b) The restriction in Section 5.03(a)(3) above shall not be applicable to: (A) the consolidation with or merger with or into the Parent of, or the sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of the Parent’s assets to, an Affiliate of the Parent, if an Officer or the Parent’s Board of Directors determines in good faith that the purpose of such transaction is principally to change the Parent’s jurisdiction of incorporation or convert the Parent’s form of organization to another form; (B) the consolidation with or merger with or into the Parent of, or the sale, assignment, conveyance, lease, transfer or other disposition of the all or substantially all the Parent’s assets to, a single Wholly Owned Subsidiary of the Parent, including, but not limited to, the Company, in accordance with applicable law; or (C) the consolidation with or merger with or into the Parent, or the sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all the Parent’s assets, if (i) an Officer or the Parent’s Board of Directors determines in good faith that the purpose of such transaction is principally to change the Parent’s jurisdiction of incorporation, (ii) such transaction does not constitute a Change of Control, (iii) such transaction complies with Sections 5.01(a)(1) and (2) above, and (iv) a Successor Parent expressly assumes, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Parent under the Notes and this Indenture, provided that, if no supplemental indenture needs to

be executed in relation to such transaction, the Parent will notify the Trustee of such transaction (but no Officer's Certificate or Opinion of Counsel shall need to be delivered to the Trustee in relation thereto).

(c) Whether or not a merger or any sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of the Parent's assets occurs, the Parent may effect a transaction or series of related transactions that is principally to change the Parent's jurisdiction of incorporation and any successor entity in such transaction shall be substituted for the Parent, so long as such transaction does not constitute a Change of Control and such transaction complies with Sections 5.01(a)(1) and (2) above and Section 5.01(b)(C)(i)-(iv) above.

(d) If any consolidation or merger or any sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of the Parent's assets or change of jurisdiction transaction as described in Section 5.03(c) above occurs in accordance with this Indenture, the Successor Parent (if other than the Parent) will succeed to, and be substituted for the Parent and may exercise every right and power under this Indenture and the Notes with the same effect as if such Successor Parent had been named in the Parent's place in this Indenture, and the Parent will be released from all its obligations and covenants under this Indenture and the Notes.

SECTION 5.04. Merger and Consolidation of a Subsidiary Guarantor

(a) No Subsidiary Guarantor may:

(1) consolidate with or merge with or into any Person, or  
(2) sell, convey, transfer or dispose of all or substantially all its assets, in one transaction or a series of related transactions, to any Person, or

(3) permit any Person to merge with or into such Subsidiary Guarantor,

unless

(A) the other Person is the Parent, the Company, the Co-Issuer or a Subsidiary Guarantor (or becomes a Subsidiary Guarantor concurrently with the transaction); or

(B) (1) either (x) such Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Subsidiary Guarantor under its Note Guarantee; and (2) immediately after giving effect to the transaction, no Default or Event of Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor otherwise permitted by this Indenture.



## ARTICLE 6

### Defaults and Remedies

#### SECTION 6.01.

#### Events of Default

(a) An “*Event of Default*” occurs if or upon:

(1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, if that default continues for a period of 30 days, or failure to comply for 30 days with the notice provisions in connection with a Change of Control Triggering Event after such notice has become due;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under this Indenture when due at its Stated Maturity or upon optional redemption or otherwise (including the failure to pay the repurchase price for such Notes tendered pursuant to an Offer to Purchase), if that default or failure continues for a period of two days;

(3) failure to comply for 90 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with any of the Issuers’ or Guarantors’ obligations under Article 4 or 5 (in each case, other than an Event of Default under Section 6.01(a)(1) or 6.01(a)(2) );

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by either Issuer or a Significant Subsidiary (or the payment of which is Guaranteed by either Issuer or a Significant Subsidiary) other than Indebtedness owed to any of the Parent, either Issuer or a Significant Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal at the Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness; or

(b) results in the acceleration of such Indebtedness prior to its express maturity not rescinded or cured within 30 days after such acceleration;

and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated and remains undischarged after such 30 day period, aggregates to €200.0 million or more;

(5) any of the Parent (to the extent a guarantor under any series of Notes), either Issuer or a Significant Subsidiary institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of

bankruptcy, insolvency or court protection; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of bankruptcy, insolvency or court protection is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property or assets is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding;

(6) failure by any of the Parent, either Issuer or a Significant Subsidiary to pay final judgments aggregating in excess of €200.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and non-appealable; and

(7) any Guarantee ceases to be in full force and effect, other than in accordance with the terms of this Indenture or a Guarantor denies or disaffirms in writing its obligations under its Guarantee, other than in accordance with the terms thereof or upon release of the Guarantee in accordance with this Indenture.

(b) A default under Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6) will not constitute an Event of Default with respect to a series of Notes until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes of such series under this Indenture notify the Issuers of the default and the Issuers do not cure such default within the time specified in Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6), as applicable, after receipt of such notice.

## SECTION 6.02.

### Acceleration

(a) If an Event of Default (other than an Event of Default described in Section 6.01(a)(5) above) occurs and is continuing the Trustee by notice to either Issuer or the Holders of a series of Notes of at least 30% in aggregate principal amount of the outstanding Notes of the applicable series under this Indenture by written notice to either Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of such series under this Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes of such series because an Event of Default described in Section 6.01(a)(4) has occurred and is continuing, the declaration of acceleration of such Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to Section 6.01(a)(4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of such Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including

Additional Amounts, if any, on such Notes that became due solely because of the acceleration of such Notes, have been cured or waived.

(b) If an Event of Default described in Section 6.01(a)(5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of a series will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

SECTION 6.03.

Other Remedies

Subject to the duties of the Trustee as provided for in Article 7, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

SECTION 6.04.

Waiver of Past Defaults

The Holders of a majority in aggregate principal amount of the outstanding Notes of a series by notice to the Trustee may, on behalf of the Holders of all of the Notes of such series, waive all past or existing Defaults or Events of Default except a continuing Default in the payment of the principal, premium or interest, and Additional Amounts, if any, on the Notes of such series and rescind any acceleration with respect to the Notes of such series and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 6.05.

Control by Majority

The Holders of a majority in aggregate principal amount of the outstanding Notes of a series may direct in writing the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or to exercise any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.01, that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; *provided, however*, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification or other security reasonably satisfactory to it against all losses, liabilities and expenses caused by taking or not taking such action.

SECTION 6.06.

Limitation on Suits

(a) Except to enforce the right to receive payment of principal or interest when due on the Notes, no Holder may pursue any remedy with respect to this Indenture or the Notes of a series unless:

- (1) such Holder has previously given to the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in aggregate principal amount of the outstanding Notes of the applicable series have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered in writing to the Trustee reasonable security or indemnity against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Notes of the applicable series have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

SECTION 6.07. [Reserved]

SECTION 6.08. Collection Suit by Trustee

If an Event of Default specified in Sections 6.01(a)(1) or 6.01(a)(2) occurs and is continuing with respect to Notes of any series, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuers or any other obligor on the Notes for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 7.07.

SECTION 6.09. Trustee May File Proofs of Claim

The Trustee may file such proofs of claim and other papers or documents and take such actions as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Issuers, their creditors or their property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07.

SECTION 6.10. Priorities

If the Trustee collects any money or property pursuant to this Article 6, including upon enforcement of any Liens, it shall pay out the money or property in the following order:

7.07; FIRST: to the Trustee, the Registrar, the Transfer Agent and the Paying Agents for amounts due under Section

SECOND: to Holders for amounts due and unpaid on the Notes for principal and interest (including Additional Interest, if any), ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

THIRD: to the Issuers.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10. At least 15 days before such record date, the Trustee shall mail to each Holder and the Issuers a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. Undertaking for Costs

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as the Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee or a Paying Agent or a suit by Holders of more than 10% in principal amount of the Notes of a series then outstanding.

SECTION 6.12. Waiver of Stay or Extension Laws

The Issuers (to the extent they may lawfully do so) shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuers (to the extent that they may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

Trustee

SECTION 7.01. Duties of Trustee

(a) The duties and responsibilities of the Trustee are as provided by the TIA and as set forth herein. If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of willful misconduct on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this Section 7.01(c) does not limit the effect of Section 7.01(b);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Sections 6.02 or 6.05;

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to Sections 7.01(a), 7.01(b) and 7.01(c) and the TIA.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur liability in the performance of any of its duties hereunder to take or omit to take any action under this Indenture or take any action at the request or direction of Holders, if it has reasonable grounds for believing that repayment of such funds is not assured to it or it does not receive indemnity reasonably satisfactory to it in its discretion against any loss, liability or expense which might reasonably be incurred by it in compliance with such request or direction nor shall the Trustee be required to do anything which is illegal or contrary to applicable laws. The Trustee will not be liable to the Holders if prevented or delayed in performing any of its obligations or discretionary functions under this Indenture by reason of any present or future law applicable to it, by any governmental or regulatory authority or by any circumstances beyond its control.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers.

(g) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Subject to TIA Sections 315(a) through (d):

(a) The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion, based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction or, to the extent applicable, the State of New York. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction, or, to the extent applicable, the State of New York or if it is determined by any court or other competent authority in that jurisdiction, or, to the extent applicable, in the State of New York, that it does not have such power.

(b) The Trustee may conclusively rely and shall be fully protected in relying on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(c) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel.

(d) The Trustee may act through attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture; *provided, however*, that the Trustee's conduct does not constitute willful misconduct or gross negligence.

(f) The Trustee may retain professional advisers to assist it in performing its duties under this Indenture. The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any Officer's Certificate, Opinion of Counsel, or any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers, personally or by agent or attorney at the sole cost of the Issuers.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee indemnity or other security reasonably satisfactory to the Trustee against the costs, expenses and liabilities which may be incurred by it in compliance with such request, order or direction.

In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Holders, each representing less than the requisite majority in aggregate principal amount of the Notes then outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken and shall be held harmless and shall not incur any liability for its failure to act until such inconsistency or conflict is, in its reasonable opinion, resolved.

(i) Except with respect to Section 4.01, the Trustee shall have no duty to inquire as to the performance of the Issuers with respect to the covenants contained in Article 4.

(j) The Trustee shall not have any obligation or duty to monitor, determine or inquire as to compliance, and shall not be responsible or liable for compliance with restrictions on transfer, exchange, redemption, purchase or repurchase, as applicable, of minimum denominations imposed under this Indenture or under applicable law or regulation with respect to any transfer, exchange, redemption, purchase or repurchase, as applicable, of any interest in any Notes.

(k) If any Guarantor is substituted to make payments on behalf of the Issuers pursuant to Article 10, the Issuers shall promptly notify the Trustee of such substitution.

(l) The rights, privileges, protections, immunities and benefits given to the Trustee, including its right to be indemnified, are extended to, and shall be enforceable by the Trustee in its capacity hereunder and by each agent (including Deutsche Bank Trust Company Americas) and custodian and other Person employed with due care to act as agent hereunder (including without limitation each Transfer Agent and Paying Agent). Each Paying Agent and Transfer Agent shall not be liable for acting in good faith on instructions believed by it to be genuine and from the proper party.

(m) The Trustee shall not be required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(n) The permissive right of the Trustee to take the actions permitted by this Indenture will not be construed as an obligation or duty to do so.

(o) Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action



(p) The Trustee may assume without inquiry in the absence of actual knowledge that the Issuers are each duly complying with their obligations contained in this Indenture required to be performed and observed by them, and that no Default or Event of Default or other event which would require repayment of the Notes has occurred.

SECTION 7.03. Individual Rights of Trustee

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee. For the avoidance of doubt, any Paying Agent, Transfer Agent or Registrar may do the same with like rights.

SECTION 7.04. Trustee's Disclaimer

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Issuers' use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture, and it shall not be responsible for any statement of the Issuers in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication. The Trustee shall not be charged with knowledge of the identity of any Significant Subsidiary unless either (a) a Responsible Officer shall have actual knowledge thereof or (b) the Trustee shall have received notice thereof in accordance with Section 11.03 hereof from the Issuers or any Holder.

SECTION 7.05. Notice of Defaults

If a Default or Event of Default with respect to a series of Notes occurs and is continuing and the Trustee is informed of such occurrence by either Issuer, the Trustee must give notice of the Default or Event of Default to the Holders of the applicable series within 60 days after the Trustee is informed of such occurrence. Except in the case of a Default or Event of Default in payment of principal of, or premium, if any, or interest on any Note of an applicable series, the Trustee may withhold the notice if and so long as a committee of its trust officers of the Trustee in good faith determines that withholding the notice is in the interests of Holders of such series.

SECTION 7.06. Reports by Trustee to Holders

(a) To the extent any Exchange Notes are outstanding, within 60 days after December 1 of any year, and for so long as any Exchange Notes remain outstanding, the Trustee shall transmit to each Holder a brief report dated as of such date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee shall also comply with TIA Section 313(b) to the extent applicable. The Trustee shall also transmit by mail all reports required by TIA Section 313(c).

(b) A copy of each report at the time of its mailing to Holders of Notes of any series shall be filed by the Trustee with the SEC and each stock exchange (if any) on which the

Notes of such series are listed in accordance with TIA Section 313(d). The Issuers will promptly notify the Trustee whenever the Notes of any series are listed on any stock exchange and of any delisting thereof.

SECTION 7.07.

Compensation and Indemnity

The Issuers, or, upon the failure of the Issuers to pay, each Guarantor, jointly and severally, shall pay to the Trustee from time to time such compensation as the Issuers and Trustee may from time to time agree for its acceptance of this Indenture and services hereunder and under the Notes. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust.

In the event of the occurrence of an Event of Default or the Trustee considering it expedient or necessary or being requested by the Issuers to undertake duties which the Trustee and the Issuers agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee, the Issuers shall pay to the Trustee such additional remuneration as shall be agreed between them.

The Issuers and each Guarantor, jointly and severally, shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it (as evidenced in an invoice from the Trustee), including costs of collection, in addition to the compensation for its services. Such expenses shall include the properly incurred compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuers and each Guarantor, jointly and severally shall indemnify the Trustee and the Paying Agents and their respective officers, directors, agents and employers against any and all loss, liability, taxes (other than taxes based on the income of the Trustee or the Paying Agents) or expenses (including reasonable attorneys' fees) incurred by or in connection with the acceptance or administration of its duties under this Indenture and the Notes, including the costs and expenses of enforcing this Indenture against the Issuers (including this Section 7.07) and defending itself against any claim (whether asserted by the Issuers or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The Trustee shall notify the Issuers of any claim for which it may seek indemnity promptly upon obtaining actual knowledge thereof; *provided, however*, that any failure so to notify the Issuers shall not relieve the Issuers or any Guarantor of its indemnity obligations hereunder. Except in cases where the interests of the Issuers and the Trustee may be adverse, the Issuers shall defend the claim and the indemnified party shall provide reasonable cooperation at the Issuers' and any Guarantor's expense in the defense. Notwithstanding the foregoing, such indemnified party may, in its sole discretion, assume the defense of the claim against it and the Issuers and any Guarantor shall, jointly and severally, pay the reasonable fees and expenses of the indemnified party's defense (as evidenced in an invoice from the Trustee). Such indemnified parties may have separate counsel of their choosing and the Issuers and any Guarantor, jointly and severally, shall pay the reasonable fees and expenses of such counsel (as evidenced in an invoice from the Trustee); *provided, however*, that the Issuers shall not be required to pay such fees and expenses if it assumes such indemnified parties' defense and, in such indemnified parties' reasonable judgment, there is no conflict of interest between the Issuers and any

Guarantor, as applicable, and such parties in connection with such defense. The Issuers need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The Issuers need not reimburse any expense or indemnify against any loss, liability or expense incurred by an indemnified party through such party's own willful misconduct, gross negligence or bad faith.

To secure the Issuers' and any Guarantor's payment obligations in this Section 7.07, the Trustee and the Paying Agents have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes.

The Issuers' and any Guarantor's payment obligations pursuant to this Section and any lien arising thereunder shall survive the satisfaction or discharge of this Indenture, any rejection or termination of this Indenture under any Debtor Relief Law or the resignation or removal of the Trustee and the Paying Agents. Without prejudice to any other rights available to the Trustee and the Paying Agents under applicable law, when the Trustee and the Paying Agents incur expenses after the occurrence of a Default specified in Section 6.01(a)(6) with respect to the Issuers, the expenses are intended to constitute expenses of administration under the Debtor Relief Law.

In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether such Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

For the avoidance of doubt, the rights, privileges, protections, immunities and benefits given to the Trustee in this Section 7.07, including its right to be indemnified, are extended to, and shall be enforceable by the Trustee in each of its capacities hereunder including, without limitation, as Registrar, Transfer Agent and Paying Agent, and by each agent (including Deutsche Bank Trust Company Americas), custodian and other Person employed with due care to act as agent hereunder.

#### SECTION 7.08.

#### Replacement of Trustee

(a) The Trustee may resign at any time by so notifying the Issuers. If the Trustee is no longer eligible under Section 7.10 or in the circumstances described in TIA Section 310(b), any Holder that satisfies the requirements of TIA Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee in writing and the appointment of a successor Trustee. The Holders of a majority in principal amount of the Notes then outstanding may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Issuers shall be entitled to remove the Trustee or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee, if:

- (i) the Trustee has or acquires a conflict of interest that is not eliminated;
- (ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or,

(iv) the Trustee otherwise becomes incapable of acting as Trustee hereunder.

(b) If the Trustee resigns, is removed pursuant to Section 7.08(a) or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuers shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, *provided*, that all sums owing to the Trustee hereunder have been paid and subject to the lien provided for in Section 7.07 and the recognition of the retiring Trustee's lien thereto by the successor Trustee.

(d) If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.10, unless the Trustee's duty to resign is stayed as provided in Section 310(b) of the TIA, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section, the Issuers' obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

(g) For the avoidance of doubt, the rights, privileges, protections, immunities and benefits given to the Trustee in this Section 7.08, including its right to be indemnified, are extended to, and shall be enforceable by each Paying Agent, Transfer Agent and Registrar employed to act hereunder.

(h) The Trustee agrees to give the notices provided for in, and otherwise comply with, TIA Section 310(b).

#### SECTION 7.09.

#### Successor Trustee by Merger

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking

association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10. Eligibility; Disqualification

This Indenture must always have a Trustee that satisfies the requirements of TIA Section 310(a) and has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition. The Trustee is subject to TIA Section 310(b).

SECTION 7.11. Certain Provisions

Each Holder by accepting a Note authorizes and directs on his or her behalf the Trustee to enter into and to take such actions and to make such acknowledgements as are set forth in this Indenture or other documents entered into in connection therewith. The Trustee shall not be responsible for the legality, validity, effectiveness, suitability, adequacy or enforceability of any obligation or rights created or purported to be created thereby or pursuant thereto, nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents or the unenforceability thereof, whether arising from statute, law or decision of any court.

SECTION 7.12. Preferential Collection of Claims Against Issuer

The Trustee shall comply with Section 311(a) of the TIA, excluding any creditor relationship listed in Section 311(b) of the TIA. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the TIA to the extent indicated.

ARTICLE 8

Discharge of Indenture; Defeasance

SECTION 8.01. Discharge of Liability on Notes; Defeasance

(a) Any Note Guarantees and this Indenture will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in this Indenture) as to all outstanding Notes of a series when (1) either (a) all the Notes of such series previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which

provision for payment was previously made and thereafter the funds have been released to the Issuers) have been delivered to the Trustee for cancellation; or (b) all Notes of such series not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuers; (2) the Issuers have deposited or caused to be deposited with the Trustee (or such entity designated by the Trustee for this purpose) money, U.S. Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes of such series not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuers have paid or caused to be paid all other sums payable under this Indenture with respect to the Notes of such series; and (4) the Issuers have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under this Section 8.01 have been complied with, provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

(b) Subject to Sections 8.01(c) and 8.02, either Issuer at any time may terminate (i) all of its obligations and all obligations of each Guarantor with respect to a series of Notes, any Note Guarantees and this Indenture ("legal defeasance option") or (ii) its obligations under Article 4 (other than Sections 4.01, 4.02 and 4.04) and under Article 5 (other than Sections 5.01(a)(1) and 5.01(a)(2)), and thereafter any omission to comply with such obligations shall not constitute a Default or an Event of Default with respect to such series of Notes, and the operation of Sections 6.01(a)(3) (other than with respect to Sections 5.01(a)(1) and 5.01(a)(2)), 6.01(a)(4), 6.01(a)(5), 6.01(a)(6) (with respect to the Issuers and Significant Subsidiaries) and 6.01(a)(7) ("covenant defeasance option"). The Issuers at their option at any time may exercise their legal defeasance option notwithstanding their prior exercise of their covenant defeasance option. In the event that the Issuers terminate all of their obligations with respect to the Notes of a series and this Indenture by exercising its legal defeasance option, the obligations under any Note Guarantees shall each be terminated simultaneously with the termination of such obligations.

If the Issuers exercise their legal defeasance option or their covenant defeasance option, each Guarantor will be released from all its obligations under its Note Guarantee.

Upon satisfaction of the conditions set forth herein and upon request of the Issuers, the Trustee shall acknowledge in writing the discharge of those obligations that the Issuers terminate.

(c) Notwithstanding Sections 8.01(a) and (b) above, the Issuers' and Guarantors' obligations with respect to a series of Notes in Sections 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, 2.10, 2.11, 7.01, 7.02, 7.03, 7.07, 7.08 and this Article 8, as applicable,

shall survive until the Notes of such series have been paid in full. Thereafter, the Issuers' and Guarantors' obligations in Sections 7.07, 8.05 and 8.06, as applicable, shall survive.

SECTION 8.02.

Conditions to Defeasance

(a) The Issuers may exercise their legal defeasance option or their covenant defeasance option with respect to a series of Notes only if:

(1) Either Issuer has irrevocably deposited in trust (the "*defeasance trust*") with the Trustee (or such entity designated by the Trustee for this purpose) cash in U.S. dollars or U.S. Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes of such series to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(A) in the case of legal defeasance, an Opinion of Counsel in the United States to the effect that, subject to customary assumptions and exclusions, the beneficial owners of the Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. Such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or a change in applicable U.S. federal income tax law that is issued or becomes effective after the issuance of the Notes;

(B) in the case of covenant defeasance, an Opinion of Counsel in the United States to the effect that, subject to customary assumptions and exclusions, the beneficial owners of the Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(C) an Officer's Certificate stating that the deposit was not made by the Issuers with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuers;

(D) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(E) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(F) the Issuers deliver to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

(b) Before or after a deposit, the Issuers may make arrangements satisfactory to the Trustee for the redemption of Notes at a future date in accordance with Article 3.

SECTION 8.03. Application of Trust Money

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from the Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes.

SECTION 8.04. Repayment to Issuers

The Trustee and the Paying Agent shall promptly turn over to the Issuers upon request any money or U.S. Government Obligations held by it as provided in this Article which, in the written opinion of an internationally recognized firm of independent public accountants delivered to the Trustee (which delivery shall only be required if U.S. Government Obligations have been so deposited), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent discharge or defeasance in accordance with this Article 8.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Issuers upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Issuers for payment as general creditors, and the Trustee and the Paying Agent shall have no further liability with respect to such monies.

SECTION 8.05. Indemnity for U.S. Government Obligations

The Issuers and the Guarantors, jointly and severally, shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 8.06. Reinstatement

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or Governmental Authority enjoining, restraining or otherwise prohibiting such application, the Issuers' obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; *provided, however*, that if the Issuers have made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.



ARTICLE 9

Amendments

SECTION 9.01.

Without Consent of Holders

The Issuers, the Trustee and the other parties thereto may amend or supplement any Note Documents with respect to a series of Notes without notice to or consent of any Holder to:

- (1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision to the “Description of the Notes” in the Offering Memorandum, or reduce the minimum denomination of the Notes;
- (2) provide for the assumption by a Successor Company or a Successor Parent of the obligations of the Issuers under any Note Document, as permitted by this Indenture;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for U.S. federal income tax purposes);
- (4) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuers;
- (5) make any change that does not adversely affect the rights of any Holder in any material respect;
- (6) at the Issuers’ election, comply with any requirement of the SEC in connection with the qualification of this Indenture under the TIA, if such qualification is required;
- (7) make such provisions as are necessary (as determined by an Officer or the Board of Directors in good faith) for the issuance of Additional Notes;
- (8) to add Guarantees with respect to the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee with respect to the Notes when such release, termination, discharge or retaking is provided for under this Indenture;
- (9) provide for the assumption by a Successor Guarantor of the obligations of a Guarantor under any Note Guarantee, as permitted by this Indenture; or
- (10) to evidence and provide for the acceptance and appointment under this Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document.

SECTION 9.02.

With Consent of Holders

(a) The Issuers, the Trustee and the other parties thereto, as applicable, may amend, supplement or otherwise modify the Note Documents with respect to a series of Notes with the consent of the holders of a majority in aggregate principal amount of the Notes of such series then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes of such series) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the holders of a majority in aggregate principal amount of the Notes of such series then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes of such series). However, without the consent of Holders holding not less than 100% (or, in the case of clauses (7) and (10), 90%; and in the case of clause (8), 75%) of the then outstanding aggregate principal amount of the Notes of the applicable series, an amendment or waiver may not, with respect to any Notes of such series held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described in Section 5 of the Notes;

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to receive payment of principal of and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change to Section 4.02 that adversely affects the right of any Holder of such Notes in any material respect or amend the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any Note Guarantee, other than pursuant to the terms of this Indenture, of a Subsidiary Guarantor;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the applicable series of Notes and a waiver of the payment default that resulted from such acceleration); or

(10) make any change in this Section 9.02(a) which require the Holders' consent described in this sentence.

(b) It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment of the Note Documents, but it shall be sufficient if such consent approves the substance thereof. A consent to any amendment or waiver under this Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

After an amendment under this Section 9.02 becomes effective, in case of Holders of Definitive Notes, the Issuers shall mail to the Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.02.

The Notes issued on the Issue Date, and any Additional Notes part of the same series, will be treated as a single class for all purposes under this Indenture, including with respect to waivers and amendments, except as the relevant amendment, waiver, consent, modification or similar action affects the rights of the Holders of the different series of Notes dissimilarly. For the purposes of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, waiver, consent, modifications or other similar action, the Issuers (acting reasonably and in good faith) shall be entitled to select a record date as of which the principal amount of any Notes shall be calculated in such consent or voting process.

SECTION 9.03.

Revocation and Effect of Consents and Waivers

(a) A written consent to an amendment or a waiver by a Holder shall bind the Holder and every subsequent Holder of that Note or portion of the Notes that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the written consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officer's Certificate from the Company certifying that the requisite number of consents have been received. After an amendment or waiver becomes effective, it shall bind every Holder. An amendment or waiver becomes effective upon the (i) receipt by the Issuers or the Trustee of the requisite number of consents, (ii) satisfaction of conditions to effectiveness as set forth in this Indenture and any indenture supplemental hereto containing such amendment or waiver and (iii) execution of such amendment or waiver (or supplemental indenture) by the Issuers and the Trustee.

(b) The Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their written consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding Section 9.03(a), those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 9.04.

Notation on or Exchange of Notes

If an amendment changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Issuers or the Trustee so determine, the Issuers in exchange for the Note shall issue and the Trustee or an authentication agent shall authenticate a new Note of the same series that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note of the same series shall not affect the validity of such amendment.

SECTION 9.05.

Trustee to Sign Amendments

The Trustee shall sign any amendment authorized pursuant to this Article 9 if the amendment does not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee under this Indenture. If it does, the Trustee may, but need not sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that such amendment complies with this Indenture and that such amendment has been duly authorized, executed and delivered and is the legal, valid and binding obligation of the Issuers and the Guarantors enforceable against them in accordance with its terms, subject to customary exceptions.

SECTION 9.06.

Payment for Consent

Neither the Issuers nor any Affiliate of either Issuer shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Note Documents (or the appointment of any proxy in relation to any of the foregoing) unless such consideration is offered (subject to limitations of applicable law) to be paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement or proxies in relation thereto.

ARTICLE 10

Note Guarantees

SECTION 10.01.

Note Guarantees.

(a) Subject to the limitations set forth in Schedule 10.1, each Guarantor hereby, jointly and severally, irrevocably Guarantees (collectively, the "*Note Guarantees*"), as primary obligor and not merely as surety, on a senior unsecured basis to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuers hereunder or thereunder, (i) the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuers under this Indenture and the Notes, whether for payment of principal of, premium, or interest and all other monetary obligations of the Issuers under this Indenture or in respect of the Notes and (ii)

the full and punctual performance within applicable grace periods of all other obligations of the Issuers whether for payment obligations resulting from a Change of Control Triggering Event, fees, expenses, indemnification or otherwise under this Indenture and the Notes (all the foregoing being hereinafter collectively called the “*Guaranteed Obligations*”). Any such Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from such Guarantor, and that such Guarantor shall remain bound under this Article 10 notwithstanding any extension or renewal of any Guaranteed Obligation.

(b) Each Guarantor waives presentation to, demand of payment from and protest to the Issuers of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Guarantor hereunder shall not be affected by (i) the failure of any Holder, or the Trustee to assert any claim or demand or to enforce any right or remedy against the Issuers or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any Notes held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder or Trustee to exercise any right or remedy against any other guarantor of the Guaranteed Obligations; or (vi) any change in the ownership of such Guarantor, except as provided in Section 10.02(c).

(c) Each Guarantor hereby waives any right to which it may be entitled to have its obligations hereunder divided among the Guarantors, such that such Guarantor’s obligations would be less than the full amount claimed. Each Guarantor hereby waives any right to which it may be entitled to have the assets of the Issuers first be used and depleted as payment of the Issuers’ or such Guarantor’s obligations hereunder prior to any amounts being claimed from or paid by such Guarantor hereunder. Each Guarantor hereby waives any right to which it may be entitled to require that the Issuers be sued prior to an action being initiated against such Guarantor.

(d) Each Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any Note held for payment of the Guaranteed Obligations.

(e) If any Guarantor makes payments under its Note Guarantee, each Guarantor must contribute its share of such payments. Each Guarantor’s share of such payment will be computed based on the proportion that the net worth of the relevant Guarantor represents relative to the aggregate net worth of all the Guarantors combined.

(f) Each Guarantor agrees that its Note Guarantee shall remain in full force and effect until payment in full of the Guaranteed Obligations. Except as expressly set forth in Sections 8.01(b) and 10.02 the obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not

be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of such Guarantor or would otherwise operate as a discharge of such Guarantor as a matter of law or equity.

(g) Each Guarantor agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of the Issuers or otherwise unless such Note Guarantee has been released in accordance with this Indenture.

(h) Subject to the limitations set forth in Schedule 10.1, in furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Issuers to pay the principal of or interest on any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Guaranteed Obligation, each Guarantor hereby promises to and shall, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders or the Trustee an amount equal to the sum of (i) the unpaid principal amount of the Notes, (ii) accrued and unpaid interest on the Notes and (iii) all other monetary obligations of the Issuers to the Holders and the Trustee, including any other unpaid principal amount of such Guaranteed Obligations, accrued and unpaid interest on such Guaranteed Obligations (but only to the extent not prohibited by law) and any Additional Amounts.

(i) Each Guarantor agrees that it shall not be entitled to exercise any right of subrogation in relation to the Holders in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations. Each Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of any Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Guaranteed Obligations as provided in Article 6, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor for the purposes of this Section 10.01.

(j) Each Guarantor also agrees to pay any and all reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Trustee or any Holder in enforcing any rights under this Section 10.01.

(k) Upon request of the Trustee, each Guarantor shall execute and deliver such further instruments and do such further acts as the Trustee may reasonably require to carry out more effectively the purpose of this Indenture.

SECTION 10.02.

Limitation on Liability

(a) Any term or provision of this Indenture to the contrary notwithstanding, the maximum aggregate amount of the Guaranteed Obligations guaranteed hereunder by any Subsidiary Guarantor shall not exceed the maximum amount that can be hereby guaranteed by the applicable Subsidiary Guarantor without rendering the Note Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance, fraudulent transfer, corporate benefit, financial assistance or similar laws affecting the rights of creditors generally.

(b) A Note Guarantee as to any Subsidiary Guarantor shall terminate and release and be of no further force or effect with respect to a series of Notes and such Guarantor shall be deemed to be released from all obligations under this Article 10 with respect to such series of Notes:

(1) upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of such Subsidiary Guarantor or of a Person who holds all of the Capital Stock of such Subsidiary Guarantor, such that the Subsidiary Guarantor does not remain a Subsidiary, or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor, in each case, as otherwise permitted by this Indenture,

(2) upon defeasance or discharge of the Notes of such series, as provided in Article 8, or

(3) so long as no Event of Default has occurred and is continuing with respect to such series of Notes, once such Subsidiary Guarantor is unconditionally released and discharged from its liability with respect to (i) the Revolving Credit Agreement and (ii) the Existing Notes.

In all cases, the Issuers and such Subsidiary Guarantors that are to be released from their Note Guarantees shall deliver to the Trustee an Officer's Certificate and an Opinion of Counsel certifying compliance with this Section 10.02(b). At the request of the Issuers, the Trustee shall execute and deliver an appropriate instrument evidencing such release (in the form provided by the Issuers).

SECTION 10.03.

Successors and Assigns

This Article 10 shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

SECTION 10.04.

No Waiver

Neither a failure nor a delay on the part of, the Trustee or the Holders in exercising any right, power or privilege under this Article 10 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 10 at law, in equity, by statute or otherwise.

SECTION 10.05.

Modification

No modification, amendment or waiver of any provision of this Article 10, nor the consent to any departure by any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

SECTION 10.06.

Non-Impairment

The failure to endorse a Note Guarantee on any Note shall not affect or impair the validity thereof.

ARTICLE 11

Miscellaneous

SECTION 11.01.

Trust Indenture Act of 1939

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of TIA Sections 310 through 317, inclusive, through the operation of TIA Section 318(c), such imposed duties shall control.

SECTION 11.02.

Noteholder Communications; Noteholder Actions

(a) Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Issuers, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

(b) (1) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an “act”) may be evidenced by an instrument signed by the Holder delivered to the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.



(2) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (d), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(d) The Company may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by TIA Section 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons will be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act will be valid or effective for more than 90 days after the record date.

SECTION 11.03.

Notices

Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to the Issuers:

NXP B.V.  
High Tech Campus 60  
5656 AG Eindhoven  
The Netherlands  
Attention of: Jean Schreurs  
Fax: +(31) 40 272 4005

with a copy to:

NXP Semiconductors N.V.  
High Tech Campus 60  
5656 AG Eindhoven  
The Netherlands  
Attention of: Jean Schreurs  
Fax: +(31) 20 5407500

if to the Trustee, Paying Agent, Registrar or Transfer Agent:

Deutsche Bank Trust Company Americas

60 Wall Street  
16th Floor  
MS: NYC60-1630  
New York, New York 10005  
United States

Attention of:  
Trust and Agency Services – NXP B.V.  
Fax: +(1) 732 578 4635

with a copy to:

Deutsche Bank National Trust Company for Deutsche Bank Trust Company Americas  
MS: JCY03-0801  
100 Plaza One – 8th Floor-  
Jersey City, New Jersey 07311  
United States

Attention of:  
Trust and Agency Services – NXP B.V.  
Fax: +(1) 732 578 4635

Each of the Issuers or the Trustee by notice to the others may designate additional or different addresses for subsequent notices or communications.

Any notice or communication sent to a Holder of Definitive Notes shall be in writing and shall be made by first-class mail, postage prepaid, or by hand delivery to the Holder at the Holder's address as it appears on the registration books of the Registrar, with a copy to the Trustee.

If and so long as any Notes are represented by one or more Global Notes and ownership of book-entry interests therein are shown on the records of DTC or any successor securities clearing agency appointed by the Depositary at the request of the Issuers, notices will be delivered to such securities clearing agency for communication to the owners of such book-entry interests, delivery of which shall be deemed to satisfy the notice requirements of this Section 11.03.

Notices given by first-class mail, postage prepaid, will be deemed given seven calendar days after mailing. Notices given by publication will be deemed given on the first date on which any of the required publications is made, or if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh calendar day after being so mailed. Failure to mail, cause to be delivered or otherwise transmit a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed or sent in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 11.04.

Certificate and Opinion as to Conditions Precedent

Upon any request or application by the Issuers to the Trustee to take or refrain from taking any action under this Indenture, the Issuers shall furnish to the Trustee:

(a) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and any other matters that the Trustee may reasonably request; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with and any other matters that the Trustee may reasonably request.

SECTION 11.05.

Statements Required in Certificate or Opinion

Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture (other than pursuant to Section 4.09) shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, such Person has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such covenant or condition has been complied with.

SECTION 11.06.

When Notes Disregarded

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers, any Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded. Subject to the foregoing, only Notes outstanding at the time shall be considered in any such determination.

SECTION 11.07.

Rules by Trustee, Paying Agent and Registrar

The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 11.08.

Legal Holidays

If a payment date is a Business Day, payment shall be made on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period. If a regular record date is not a Business Day, the record date shall not be affected.

SECTION 11.09.

Governing Law

This Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 11.10.

Consent to Jurisdiction and Service

The Issuers and each Guarantor irrevocably (i) agree that any legal suit, action or proceeding against the Issuers or any Guarantor arising out of or based upon this Indenture, the Notes or any Note Guarantee or the transactions contemplated hereby may be instituted in any U.S. Federal or state court in the Borough of Manhattan, The City of New York court and (ii) waive, to the fullest extent they may effectively do so, any objection which they may now or hereafter have to the laying of venue of any such proceeding. The Company and each Guarantor have appointed (and any Subsidiary becoming a Guarantor shall appoint) NXP Funding LLC, as their authorized agent (the "*Authorized Agent*") upon whom process may be served in any such action arising out of or based on this Indenture, the Notes or the transactions contemplated hereby which may be instituted in any New York court, expressly consent to the jurisdiction of any such court in respect of any such action, and waive any other requirements of or objections to personal jurisdiction with respect thereto. Such appointment shall be irrevocable. The Issuers represent and warrant that the Authorized Agent has agreed to act as such agent for service of process and agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent and written notice of such service to the Issuers and each Guarantor shall be deemed, in every respect, effective service of process upon the Issuers and each Guarantor.

SECTION 11.11.

No Recourse Against Others

No director, officer, employee, incorporator or shareholder of any of the Parent, the Issuers or any of their respective Subsidiaries or Affiliates as such, will have any liability for any obligations of the Issuers under the Note Documents, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 11.12.

Successors

All agreements of the Issuers and each Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.13.

Multiple Originals

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 11.14.

Table of Contents: Headings

The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

SECTION 11.15.

Applicable Law; Provision of Information to Trustee

In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including, without limitation, those relating to the funding of terrorist activities and money laundering, including Section 326 of the USA PATRIOT Act of the United States ("Applicable Law"), the Trustee is required to obtain, verify, record and update certain information relating to individuals and entities which maintain a business relationship with the Trustee. Accordingly, each of the parties agree to provide to the Trustee, upon their request from time to time such identifying information and documentation as may be available for such party in order to enable the Trustee to comply with Applicable Law.

SECTION 11.16.

Force Majeure

The Trustee, Registrar, Paying Agent and Transfer Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Trustee (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism, or the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

---

NXP B.V.

by s/ Jean Schreurs  
Name: Jean Schreurs  
Title: Authorized Signatory

NXP FUNDING LLC

by s/ Jean Schreurs  
Name: Jean Schreurs  
Title: Authorized Signatory

*[Signature Page to Indenture]*

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DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

By Deutsche Bank National Trust Company

by s/ Robert S. Peschler  
Name: Robert S. Peschler  
Title: Vice President

by s/ Annie Jaghatspanyan  
Name: Annie Jaghatspanyan  
Title: Vice President

*[Signature Page to Indenture]*

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NXP SEMICONDUCTORS N.V.

by s/ Jean Schreurs  
Name: Jean Schreurs  
Title: Authorized Signatory

*[Signature Page to Indenture]*

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NXP SEMICONDUCTORS NETHERLANDS B.V.

by s/ Jean Schreurs  
Name: Jean Schreurs  
Title: Authorized Signatory

*[Signature Page to Indenture]*

---

NXP USA, INC.

by s/ Jennifer Wuamett  
Name: Jennifer Wuamett  
Title: President

*[Signature Page to Indenture]*

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PROVISIONS RELATING TO THE NOTES1. Definitions.

Capitalized terms used but not otherwise defined in this Appendix A shall have the meanings assigned to them in the Indenture. For the purposes of this Appendix A the following terms shall have the meanings indicated below:

“*Applicable Procedures*” means, with respect to any transfer or transaction involving a Regulation S Global Note or beneficial interest therein, the rules and procedures of the Depository for such Global Note, DTC, in each case to the extent applicable to such transaction and as in effect from time to time.

“*Definitive Note*” means a certificated Note that does not include the Global Note Legend.

“*Depository*” means DTC.

“*DTC*” means The Depository Trust Company, its nominees and their respective successors.

“*Global Note Legend*” means the legend set forth under that caption in Exhibit A to the Indenture.

“*Notes Custodian*” means the custodian with respect to a Global Note (as appointed by the applicable Depository) or any successor person thereto.

“*Private Placement Legend*” means the legend set forth under that caption in Exhibit A to the Indenture.

“*QIB*” means a “qualified institutional buyer” as defined in Rule 144A.

“*Regulation S*” means Regulation S under the Securities Act.

“*Regulation S Notes*” means all Notes offered and sold outside the United States in reliance on Regulation S.

“*Restricted Period*”, with respect to any Notes, means the period of 40 consecutive days beginning on and including the later of (a) the day on which such Notes are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S, notice of which day shall be promptly given by either Issuer to the Trustee, and (b) the Issue Date with respect to such Notes.

“*Restricted Notes Legend*” means the legend set forth under that caption in Exhibit A to the Indenture.

“*Rule 144*” means Rule 144 under the Securities Act.

“*Rule 144A*” means Rule 144A under the Securities Act.

“*Rule 144A Notes*” means all Notes offered and sold to QIBs in reliance on Rule 144A.

“*Securities Act*” means the Securities Act of 1933.

“*Transfer Restricted Notes*” means Definitive Notes and any other Notes that bear or are required to bear the Restricted Notes Legend.

2. The Notes.

2.1 Form and Dating.

(a) The Notes issued on the date hereof will be (i) offered and sold by the Issuers pursuant to a Purchase Agreement dated as of December 3, 2018 among the Issuers, the Guarantors and the initial purchasers named therein and (ii) resold, initially only to (1) QIBs in reliance on Rule 144A and (2) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S. Such Notes may thereafter be transferred to, among others, QIBs and purchasers in reliance on Regulation S. Additional Notes offered after the date hereof may be offered and sold by the Issuers from time to time pursuant to one or more purchase agreements in accordance with applicable law.

(b) Notes issued in global form will be substantially in the form of Exhibit A to the Indenture (including the Global Note Legend thereon and the “Schedule of Increases or Decreases in the Global Note” attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A to the Indenture (but without the Global Note Legend thereon and without the “Schedule of Increases or Decreases in the Global Note” attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2 hereof.

(c) [Reserved].

(d) [Reserved].

(e) [Reserved].

(f) Book-Entry Provisions. This Section 2.1(f) shall apply only to a Global Note deposited with or on behalf of the Depository.

The Issuers shall execute and the Trustee or an authentication agent shall, in accordance with this Section 2.1(f) and Section 2.2 and pursuant to an order of the Issuers signed by one Officer, authenticate and deliver initially one or more Global Notes that (i) shall be registered in the name of the Depository for such Global Note or Global Notes or the nominee of such Depository and (ii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions or held by the Notes Custodian.

Members of, or participants in, DTC ("*Agent Members*") shall have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository or by the Notes Custodian or under such Global Note, and the Depository may be treated by the Issuers, the Trustee and any agent of the Issuers or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Trustee or any agent of the Issuers or the Trustee from giving effect to any written certification, proxy or other authorization furnished by DTC or impair, as between DTC and their respective Agent Members, the operation of customary practices thereof governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

- (g) Definitive Notes. Except as provided in Section 2.3 or 2.4, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes.
- 2.2 Authentication. The Trustee or an authentication agent shall authenticate and make available for delivery upon a written order of the Company signed by one of its Officers (a) Original Notes for original issue on the date hereof in an aggregate principal amount of \$2,000,000,000 and (b) subject to the terms of the Indenture, Additional Notes. Such order shall (a) specify the amount of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated, (b) direct the Trustee or an authentication agent to authenticate such Notes and (c) certify that all conditions precedent to the issuance of such Notes have been complied with in accordance with the terms hereof.
- 2.3 Transfer and Exchange of Global Notes. (a) A Global Note may not be transferred except as a whole by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or to another nominee of the Depository, or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. All Global Notes will be exchanged by the Company for Definitive Notes if:
- (1) the Company delivers to the Trustee notice from the Depository that it is unwilling or unable to continue to act as Depository or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Company within 120 days after the date of such notice from the Depository;

- (2) the Company, in its sole discretion, determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; or
- (3) there has occurred and is continuing a Default or Event of Default with respect to the Notes and Holders have requested Definitive Notes.

Upon the occurrence of any of the preceding events in (1),(2) or (3) above, Definitive Notes shall be issued in such names as the Depository shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.08 and 2.10 of the Indenture. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section or Section 2.08 or 2.10 of the Indenture, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section, however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.3(b), (c) or (f) hereof upon prior written notice given to the Trustee by or on behalf of the Depository.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depository, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note.* Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend. Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section.

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.3(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Note in an

amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depository to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in Section 2.3(b)(1) above.

Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.3(h) hereof.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.3(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note.* A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.3(b)(2) above and:



(A) [Reserved.]

(B) [Reserved.]

(C) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (3) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (C) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.2 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (C) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(B) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(C) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (4) thereof; or

(D) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.3(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.3(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.3(c) (1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) [Reserved.]

(3) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) [Reserved.]

(B) [Reserved.]

(C) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a

certificate from such holder in the form of Exhibit B hereto, including the certifications in item (3) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(4) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.3(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.3(h) hereof, and the Issuers will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.3(c)(4) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.3(c)(4) will not bear the Private Placement Legend.

(d) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(B) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof; or

(C) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item 4 thereof;

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of subparagraph (A) above, the 144A Global Note, and in the case of subparagraphs (B) and (C) above, the Regulation S Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) [Reserved.]

(B) [Reserved.]

(C) the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (3) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar

to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.3(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to Section 2.3(d)(1), (d)(2) or (d)(3) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.2 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.3(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.3(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) [Reserved.]

(B) [Reserved.]

(C) the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item 3 thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the

Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) [Reserved.]

(g) *Legends.* The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in this subsection (g) or the applicable provisions of this Indenture.

(1) *Private Placement Legend.*

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN

INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. [IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.]

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(3), (c)(4), (d)(2), (d)(3), (e)(2), (e)(3) or (f) of this Section 2.3 (and all Notes issued in exchange therefor or substitution thereof), any Regulation S Global Note and any Additional Notes issued in transactions registered with the SEC will not bear the Private Placement Legend.

(2) *Global Note Legend.* Each Global Note will bear a legend in substantially the following form:

“THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO APPENDIX A OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO APPENDIX A OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY



(55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

(h) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 of the Indenture. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) *General Provisions Relating to Transfers and Exchanges.*

(1) To permit registrations of transfers and exchanges, the Issuers will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.2 hereof or at the Registrar’s request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer tax or similar governmental charge payable upon exchange pursuant to the Indenture).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under the Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Issuers will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 of the Indenture and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.2 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.3 to effect a registration of transfer or exchange may be submitted by facsimile.

[FORM OF NOTE]

4.875% Senior Notes due 2024

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THEIR AUTHORIZED NOMINEE, OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO ITS AUTHORIZED NOMINEE, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, ITS AUTHORIZED NOMINEE, HAS AN INTEREST HEREIN.

[[FOR GLOBAL NOTES ONLY] TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

[[FOR REGULATION S GLOBAL NOTE ONLY] UNTIL 40 DAYS AFTER THE CLOSING OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE U.S. SECURITIES ACT) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.]

[Restricted Note Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF

SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS’ AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE ISSUERS WILL CAUSE THIS LEGEND TO BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. [IN THE CASE OF REGULATIONS NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT.]

BY ACCEPTANCE OF A NOTE, EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THE NOTES CONSTITUTES THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) OR PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS, RULES OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE “SIMILAR LAWS”), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT OR (B) THE PURCHASE AND HOLDING OF THE NOTES BY SUCH HOLDER WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

[Each Definitive Note shall bear the following additional legend:]

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

E-A-1-3

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Common Code. [ ]  
ISIN No. [ ]  
CUSIP [ ]

4.875% Senior Notes due 2024

No. \_\_\_\_\_

NXP B.V.  
NXP FUNDING LLC

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware, jointly and severally promise to pay to Cede & Co. or its registered assigns, the principal sum [set forth on the Schedule of Increases or Decreases in Global Note attached hereto, subject to the adjustments listed therein]<sup>1</sup> [of \$[ ]], on March 1, 2024.

Interest Payment Dates: March 1 and September 1, commencing on March 1, 2019.

Record Dates: February 15 and August 15.

Additional provisions of this Note are set forth on the other side of this Note.

*(Signature page to follow.)*

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<sup>1</sup> Use the Schedule of Increases and Decreases language if Note is in Global Form.

IN WITNESS WHEREOF, NXP B.V. and NXP Funding LLC have caused this Note to be signed manually or by facsimile by their duly authorized officers.

Dated: NXP B.V.

By:  
Name:  
Title:

NXP FUNDING LLC

By:  
Name:  
Title:

This is one of the Notes referred  
to in the Indenture.

DEUTSCHE BANK TRUST COMPANY AMERICAS,  
as Trustee

By:  
(Authorized Signatory)

*[Signature Page to Note]*

E-A-1-5

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[FORM OF BACK OF NOTE]

4.875% SENIOR NOTES DUE 2024

1. Interest

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware (together with NXP B.V. and their respective successors and assigns under the Indenture hereinafter referred to, being herein called "*the Issuers*"), jointly and severally promise to pay interest on the principal amount of this Note at the rate of 4.875% per annum. The Issuers shall pay interest semi-annually on March 1 and September 1 of each year commencing on March 1, 2019. The Issuers will make each interest payment to Holders of record of the Notes on the immediately preceding February 15 and August 15, respectively. Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from December 6, 2018 until the principal hereof is due. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

2. Method of Payment

Holders must surrender Notes to the relevant Paying Agent to collect principal payments. The Issuers shall pay principal, premium, if any, Additional Amounts, if any, and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Principal, premium, if any, Additional Amounts, if any, and interest on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; provided that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of DTC will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, Additional Amounts, if any, and interest on any Definitive Notes will be payable at the specified office or agency of one or more Paying Agents in New York, maintained for such purposes. In addition, interest on the Definitive Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Notes; *provided, however*, that cash payments on the Notes may also be made, in the case of a Holder of at least \$1,000,000 aggregate principal amount of Notes, by wire transfer to a dollar account maintained by the payee with a bank in the United States of America if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 15 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

If the due date for any payment in respect of any Note is not a Business Day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.



3. Registrar, Paying Agent and Transfer Agent

Initially, Deutsche Bank Trust Company Americas will act as Registrar, Paying Agent and Transfer Agent. The Issuers may appoint and change any Registrar, Paying Agent and Transfer Agent. The Issuers may act as Registrar, Paying Agent and Transfer Agent.

4. Indenture

The Issuers issued the Notes under the Indenture dated as of December 6, 2018 (the “*Indenture*”), among the Issuers, the Guarantors party thereto and Deutsche Bank Trust Company Americas, as Trustee (the “*Trustee*”). The terms of the Notes include those stated in the Indenture. Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders (as defined in the Indenture) are referred to the Indenture for a statement of such terms and provisions. In the event of a conflict, the terms of the Indenture control.

The Notes are senior obligations of the Issuers. This Note is one of the Notes referred to in the Indenture. The Notes and the Additional Notes are treated as a single class under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and their Significant Subsidiaries to, among other things, create or incur Liens and make asset sales. The Indenture also imposes limitations on the ability of the Issuers to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all its property.

5. Optional Redemption

(a) At any time prior to February 1, 2024 (the date one month prior to the maturity date of the Notes), the Issuers may redeem such Notes in whole or in part, at their option, upon not less than 15 nor more than 60 days’ prior notice, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes being redeemed, and
- the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed that would be due if the Notes matured on February 1, 2024 (the date one month prior to the maturity date of the Notes), not including unpaid interest accrued to, but excluding, the redemption date, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points,

plus, in each case, unpaid interest on the Notes being redeemed accrued to, but excluding, the redemption date.

(b) On or after February 1, 2024 (the date one month prior to the maturity date of the Notes), the Notes will be redeemable, in whole or in part, at any time and from time to time, at the Company’s option, upon not less than 15 nor more than 60 days’ prior notice, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus unpaid interest on the Notes being redeemed accrued to, but excluding, the redemption date.

(c) [Reserved]

(d) Any redemption and notice of redemption may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

6. Optional Tax Redemption

The Issuers or any Successor Company may redeem the Notes of a series in whole, but not in part, at any time upon giving not less than 15 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the tax redemption date as a result of the redemption or otherwise, if any, if a Payor determines in good faith that, as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

such Payor is, or on the next interest payment date in respect of the Notes of such series would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuers, Successor Company or Guarantors (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to such obligation to pay Additional Amounts as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at December 3, 2018, such Change in Tax Law must become effective after December 3, 2018. In the case of redemption due to such obligation to pay Additional Amounts as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after December 3, 2018, such Change in Tax Law must become effective after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the prior Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described in paragraph 8. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers or Successor Company will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the relevant Payor has been or

will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

7. Sinking Fund

The Issuers are not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

8. Notice of Redemption

At least 15 days but not more than 60 days before a date for redemption of Notes, the Issuers shall transmit a notice of redemption in accordance with Section 11.03 of the Indenture and as provided below.

If less than all of the Notes of a series are to be redeemed at any time, the Trustee or the Registrar, as applicable, will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the Registrar, as applicable, by the Issuers, and in compliance with the requirements of DTC, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through DTC, or DTC prescribes no method of selection, on a pro rata basis; provided, however, that no Note of \$2,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of \$1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made by it in accordance with this Section.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

9. Additional Amounts

The Obligors are required to make all payments under or with respect to the Notes or the Note Guarantees free and clear of and without withholding or deduction for or on account of any present or future Taxes unless required by law, in which case the relevant Issuer or Guarantor will pay Additional Amounts in accordance with, and subject to the limitations of, Section 4.02 of the Indenture.

10. Repurchase of Notes at the Option of Holders upon a Change of Control Triggering Event

If the Company experiences a Change of Control Triggering Event, each Holder will have the right, subject to certain conditions specified in the Indenture, to require the Issuers

to repurchase all of the Notes of such Holder at a purchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, if any, to but excluding the date of repurchase as provided in, and subject to the terms of, the Indenture.

11. [Reserved]

12. Denominations; Transfer; Exchange

The Notes are in registered form in minimum denominations of \$2,000 and multiples of \$1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

13. Persons Deemed Owners

Except as *provided* in paragraph 2 of this Note, the registered Holder of this Note will be treated as the owner of it for all purposes.

14. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee and the Paying Agent shall have no further liability with respect to such monies.

15. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Notes and the Indenture if the Issuers, among other things, deposit or cause to be deposited with the Trustee money or U.S. Government Obligations denominated in U.S. dollars in such amounts as will be sufficient for the payment of the entire Indebtedness including principal of, premium, if any, and interest on the Notes to the date of redemption or maturity, as the case may be.

16. Amendment, Waiver

The Indenture and the Notes may be amended as set forth in the Indenture.

17. Defaults and Remedies

(a) The following events constitute "*Events of Default*" under the Indenture: An "*Event of Default*" occurs if or upon:

(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, if that default continues for a period

of 30 days, or failure to comply for 30 days with the notice provisions in connection with a Change of Control Triggering Event after such notice has become due;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity or upon optional redemption or otherwise (including the failure to pay the repurchase price for such Notes tendered pursuant to an Offer to Purchase), if that default or failure continues for a period of two days;

(3) failure to comply for 90 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with any of the Issuers' or Guarantors' obligations under Article 4 or 5 of the Indenture (in each case, other than an Event of Default under Section 6.01 (a)(1) or 6.01(a)(2) of the Indenture);

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by either Issuer or a Significant Subsidiary (or the payment of which is Guaranteed by either Issuer or a Significant Subsidiary) other than Indebtedness owed to any of the Parent, either Issuer or a Significant Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

- (a) is caused by a failure to pay principal at the Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness; or
- (b) results in the acceleration of such Indebtedness prior to its express maturity not rescinded or cured within 30 days after such acceleration;

and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated and remains undischarged after such 30 day period, aggregates to €200.0 million or more;

(5) any of the Parent (to the extent a guarantor under any series of Notes), either Issuer or a Significant Subsidiary institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of bankruptcy, insolvency or court protection; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of bankruptcy, insolvency or court protection is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property or assets is instituted without the consent of such Person and continues undismissed or unstayed for (60) calendar days, or an order for relief is entered in any such proceeding;

(6) failure by any of the Parent, either Issuer or a Significant Subsidiary to pay final judgments aggregating in excess of €200.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and non-appealable; and

(7) any Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture or a Guarantor denies or disaffirms in writing its obligations under its Guarantee, other than in accordance with the terms thereof or upon release of the Guarantee in accordance with the Indenture.

(b) A default under Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6) of the Indenture will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes under the Indenture notify the Issuers of the default and the Issuers do not cure such default within the time specified in Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6) of the Indenture, as applicable, after receipt of such notice.

(c) If an Event of Default (other than an Event of Default described in Section 6.01(a)(5) of the Indenture) occurs and is continuing, the Trustee by notice to either Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Notes of the applicable series of Notes under the Indenture by written notice to either Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of such series under the Indenture to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of a series of Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

18. Trustee Dealings with the Issuers

The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

19. No Recourse Against Others

No director, manager, officer, employee, incorporator or shareholder of any of the Parent, either Issuer or any of its Subsidiaries or any parent company of either Issuer shall have any liability for any obligations of either Issuer or any Subsidiary with respect to the Notes or the Indenture, or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

20. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note. The signature shall be conclusive evidence that the security has been authenticated under the Indenture.

21. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

22. Governing Law

**THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

23. CUSIP Numbers, Common Codes and ISIN Numbers

The Issuers in issuing the Notes may use CUSIP Numbers, Common Codes and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP Numbers, Common Codes and ISIN numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

**The Issuers will furnish to any Holder of Notes upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note.**

[FORM OF ASSIGNMENT FORM]

***To assign this Note, fill in the form below:***

I or we assign and transfer this Note to:

---

(Print or type assignee's legal name)

---

(Insert assignee's soc. sec. or tax I.D. No.)

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---

---

(Insert assignee's name, address and zip code)

and irrevocably appoint

---

to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date:

Your Signature:

---

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*:

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)



[FORM OF CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR  
REGISTRATION OF TRANSFER RESTRICTED NOTES]

This certificate relates to \$\_\_\_\_\_ principal amount of Notes held in (check applicable box)  book-entry or  definitive registered form by the undersigned.

The undersigned (check one box below):

- has requested the Trustee by written order to deliver, in exchange for its beneficial interest in the Global Note held by the Depository, a Definitive Note in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);
- has requested the Trustee by written order to exchange or register the transfer of a Note.

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144 under the Securities Act, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

- (1) •to the Issuers; or
- (2) •to the Registrar for registration in the name of the Holder, without transfer; or
- (3) •pursuant to an effective registration statement under the U.S. Securities Act of 1933; or
- (4) •inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (5) •outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Note shall be held immediately after the transfer through DTC until the expiration of the Restricted Period (as defined in the Indenture); or
- (6) •pursuant to Rule 144 under the U.S. Securities Act of 1933 or another available exemption from registration.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered Holder thereof, *provided, however*, that if box (5) or (6) is checked, the Trustee may require, prior to registering

any such transfer of the Notes, such legal opinions, certifications and other information as the Trustee or the Issuers have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933.

Date: \_\_\_\_\_

Your Signature:

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*:

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned’s foregoing representations in order to claim the exemption from registration *provided* by Rule 144A.

Date:

Signature:

(to be executed by an executive officer of purchaser)

[TO BE ATTACHED TO GLOBAL NOTES]

[FORM OF SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE]

The initial principal amount of this Global Note is \$[•]. The following increases or decreases in this Global Note have been made:

Date of Increase/Decrease	Amount of Decrease in Principal Amount of this Global Note	Amount of Increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee
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E-A-1-17

[FORM OF OPTION OF HOLDER TO ELECT PURCHASE]

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.03 (Offer to Repurchase upon Change of Control Triggering Event) of the Indenture, check the box:

Change of Control

If you want to elect to have only part of this Note purchased by the Issuers pursuant to Section 4.03 of the Indenture, state the amount (minimum amount of \$2,000):

\$ \_\_\_\_\_

Date: \_\_\_\_\_

Your Signature:

\_\_\_\_\_  
(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

[FORM OF NOTE]

5.350% Senior Notes due 2026

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THEIR AUTHORIZED NOMINEE, OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO ITS AUTHORIZED NOMINEE, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, ITS AUTHORIZED NOMINEE, HAS AN INTEREST HEREIN.

[[FOR GLOBAL NOTES ONLY] TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

[[FOR REGULATION S GLOBAL NOTE ONLY] UNTIL 40 DAYS AFTER THE CLOSING OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE U.S. SECURITIES ACT) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.]

[Restricted Note Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF

SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS’ AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE ISSUERS WILL CAUSE THIS LEGEND TO BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. [IN THE CASE OF REGULATIONS NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT.]

BY ACCEPTANCE OF A NOTE, EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THE NOTES CONSTITUTES THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) OR PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS, RULES OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE “SIMILAR LAWS”), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT OR (B) THE PURCHASE AND HOLDING OF THE NOTES BY SUCH HOLDER WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

[Each Definitive Note shall bear the following additional legend:]

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

E-A-2-3

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Common Code. [ ]  
ISIN No. [ ]  
CUSIP [ ]

5.350% Senior Notes due 2026

No. \_\_\_\_\_

NXP B.V.  
NXP FUNDING LLC

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware, jointly and severally promise to pay to Cede & Co. or its registered assigns, the principal sum [set forth on the Schedule of Increases or Decreases in Global Note attached hereto, subject to the adjustments listed therein]<sup>2</sup> [of \$[ ]], on March 1, 2026.

Interest Payment Dates: March 1 and September 1, commencing on March 1, 2019.

Record Dates: February 15 and March 15.

Additional provisions of this Note are set forth on the other side of this Note.

*(Signature page to follow.)*

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<sup>2</sup> Use the Schedule of Increases and Decreases language if Note is in Global Form.



IN WITNESS WHEREOF, NXP B.V. and NXP Funding LLC have caused this Note to be signed manually or by facsimile by their duly authorized officers.

Dated: NXP B.V.

By:  
Name:  
Title:

NXP FUNDING LLC

By:  
Name:  
Title:

This is one of the Notes referred  
to in the Indenture.

DEUTSCHE BANK TRUST COMPANY AMERICAS,  
as Trustee

By:  
(Authorized Signatory)

*[Signature Page to Note]*

E-A-2-5

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[FORM OF BACK OF NOTE]

5.350% SENIOR NOTES DUE 2026

1. Interest

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware (together with NXP B.V. and their respective successors and assigns under the Indenture hereinafter referred to, being herein called "*the Issuers*"), jointly and severally promise to pay interest on the principal amount of this Note at the rate of 5.350% per annum. The Issuers shall pay interest semi-annually on March 1 and September 1 of each year commencing on March 1, 2019. The Issuers will make each interest payment to Holders of record of the Notes on the immediately preceding February 15 and August 15, respectively. Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from December 6, 2018 until the principal hereof is due. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

2. Method of Payment

Holders must surrender Notes to the relevant Paying Agent to collect principal payments. The Issuers shall pay principal, premium, if any, Additional Amounts, if any, and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Principal, premium, if any, Additional Amounts, if any, and interest on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; provided that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of DTC will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, Additional Amounts, if any, and interest on any Definitive Notes will be payable at the specified office or agency of one or more Paying Agents in New York, maintained for such purposes. In addition, interest on the Definitive Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Notes; *provided, however*, that cash payments on the Notes may also be made, in the case of a Holder of at least \$1,000,000 aggregate principal amount of Notes, by wire transfer to a dollar account maintained by the payee with a bank in the United States of America if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 15 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

If the due date for any payment in respect of any Note is not a Business Day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

3. Registrar, Paying Agent and Transfer Agent

Initially, Deutsche Bank Trust Company Americas will act as Registrar, Paying Agent and Transfer Agent. The Issuers may appoint and change any Registrar, Paying Agent and Transfer Agent. The Issuers may act as Registrar, Paying Agent and Transfer Agent.

4. Indenture

The Issuers issued the Notes under the Indenture dated as of December 6, 2018 (the “*Indenture*”), among the Issuers, the Guarantors party thereto and Deutsche Bank Trust Company Americas, as Trustee (the “*Trustee*”). The terms of the Notes include those stated in the Indenture. Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders (as defined in the Indenture) are referred to the Indenture for a statement of such terms and provisions. In the event of a conflict, the terms of the Indenture control.

The Notes are senior obligations of the Issuers. This Note is one of the Notes referred to in the Indenture. The Notes and the Additional Notes are treated as a single class under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and their Significant Subsidiaries to, among other things, create or incur Liens and make asset sales. The Indenture also imposes limitations on the ability of the Issuers to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all its property.

5. Optional Redemption

(a) At any time prior to January 1, 2026 (the date two months prior to the maturity date of the Notes), the Issuers may redeem such Notes in whole or in part, at their option, upon not less than 15 nor more than 60 days’ prior notice, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes being redeemed, and
- the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed that would be due if the Notes matured on January 1, 2026 (the date two months prior to the maturity date of the Notes), not including unpaid interest accrued to, but excluding, the redemption date, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 40 basis points,

plus, in each case, unpaid interest on the Notes being redeemed accrued to, but excluding, the redemption date.

(b) On or after January 1, 2026 (the date two months prior to the maturity date of the Notes), the Notes will be redeemable, in whole or in part, at any time and from time to time, at the Company’s option, upon not less than 15 nor more than 60 days’ prior notice, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus unpaid interest on the Notes being redeemed accrued to, but excluding, the redemption date.

(c) [Reserved]

(d) Any redemption and notice of redemption may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

6. Optional Tax Redemption

The Issuers or any Successor Company may redeem the Notes of a series in whole, but not in part, at any time upon giving not less than 15 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the tax redemption date as a result of the redemption or otherwise, if any, if a Payor determines in good faith that, as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

such Payor is, or on the next interest payment date in respect of the Notes of such series would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuers, Successor Company or Guarantors (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to such obligation to pay Additional Amounts as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at December 3, 2018, such Change in Tax Law must become effective after December 3, 2018. In the case of redemption due to such obligation to pay Additional Amounts as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after December 3, 2018, such Change in Tax Law must become effective after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the prior Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described in paragraph 8. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers or Successor Company will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the relevant Payor has been or

will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

7. Sinking Fund

The Issuers are not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

8. Notice of Redemption

At least 15 days but not more than 60 days before a date for redemption of Notes, the Issuers shall transmit a notice of redemption in accordance with Section 11.03 of the Indenture and as provided below.

If less than all of the Notes of a series are to be redeemed at any time, the Trustee or the Registrar, as applicable, will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the Registrar, as applicable, by the Issuers, and in compliance with the requirements of DTC, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through DTC, or DTC prescribes no method of selection, on a pro rata basis; provided, however, that no Note of \$2,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of \$1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made by it in accordance with this Section.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

9. Additional Amounts

The Obligors are required to make all payments under or with respect to the Notes or the Note Guarantees free and clear of and without withholding or deduction for or on account of any present or future Taxes unless required by law, in which case the relevant Issuer or Guarantor will pay Additional Amounts in accordance with, and subject to the limitations of, Section 4.02 of the Indenture.

10. Repurchase of Notes at the Option of Holders upon a Change of Control Triggering Event

If the Company experiences a Change of Control Triggering Event, each Holder will have the right, subject to certain conditions specified in the Indenture, to require the Issuers

to repurchase all of the Notes of such Holder at a purchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, if any, to but excluding the date of repurchase as provided in, and subject to the terms of, the Indenture.

11. [Reserved]

12. Denominations; Transfer; Exchange

The Notes are in registered form in minimum denominations of \$2,000 and multiples of \$1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

13. Persons Deemed Owners

Except as *provided* in paragraph 2 of this Note, the registered Holder of this Note will be treated as the owner of it for all purposes.

14. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee and the Paying Agent shall have no further liability with respect to such monies.

15. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Notes and the Indenture if the Issuers, among other things, deposit or cause to be deposited with the Trustee money or U.S. Government Obligations denominated in U.S. dollars in such amounts as will be sufficient for the payment of the entire Indebtedness including principal of, premium, if any, and interest on the Notes to the date of redemption or maturity, as the case may be.

16. Amendment, Waiver

The Indenture and the Notes may be amended as set forth in the Indenture.

17. Defaults and Remedies

(a) The following events constitute "*Events of Default*" under the Indenture: An "*Event of Default*" occurs if or upon:

(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, if that default continues for a period

of 30 days, or failure to comply for 30 days with the notice provisions in connection with a Change of Control Triggering Event after such notice has become due;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity or upon optional redemption or otherwise (including the failure to pay the repurchase price for such Notes tendered pursuant to an Offer to Purchase), if that default or failure continues for a period of two days;

(3) failure to comply for 90 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with any of the Issuers' or Guarantors' obligations under Article 4 or 5 of the Indenture (in each case, other than an Event of Default under Section 6.01 (a)(1) or 6.01(a)(2) of the Indenture);

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by either Issuer or a Significant Subsidiary (or the payment of which is Guaranteed by either Issuer or a Significant Subsidiary) other than Indebtedness owed to any of the Parent, either Issuer or a Significant Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

- (a) is caused by a failure to pay principal at the Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness; or
- (b) results in the acceleration of such Indebtedness prior to its express maturity not rescinded or cured within 30 days after such acceleration;

and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated and remains undischarged after such 30 day period, aggregates to €200.0 million or more;

(5) any of the Parent (to the extent a guarantor under any series of Notes), either Issuer or a Significant Subsidiary institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of bankruptcy, insolvency or court protection; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of bankruptcy, insolvency or court protection is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property or assets is instituted without the consent of such Person and continues undismissed or unstayed for (60) calendar days, or an order for relief is entered in any such proceeding;

(6) failure by any of the Parent, either Issuer or a Significant Subsidiary to pay final judgments aggregating in excess of €200.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and non-appealable; and

(7) any Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture or a Guarantor denies or disaffirms in writing its obligations under its Guarantee, other than in accordance with the terms thereof or upon release of the Guarantee in accordance with the Indenture.

(b) A default under Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6) of the Indenture will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes under the Indenture notify the Issuers of the default and the Issuers do not cure such default within the time specified in Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6) of the Indenture, as applicable, after receipt of such notice.

(c) If an Event of Default (other than an Event of Default described in Section 6.01(a)(5) of the Indenture) occurs and is continuing, the Trustee by notice to either Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Notes of the applicable series of Notes under the Indenture by written notice to either Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of such series under the Indenture to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of a series of Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

18. Trustee Dealings with the Issuers

The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

19. No Recourse Against Others

No director, manager, officer, employee, incorporator or shareholder of any of the Parent, either Issuer or any of its Subsidiaries or any parent company of either Issuer shall have any liability for any obligations of either Issuer or any Subsidiary with respect to the Notes or the Indenture, or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.



20. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note. The signature shall be conclusive evidence that the security has been authenticated under the Indenture.

21. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

22. Governing Law

**THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

23. CUSIP Numbers, Common Codes and ISIN Numbers

The Issuers in issuing the Notes may use CUSIP Numbers, Common Codes and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP Numbers, Common Codes and ISIN numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

**The Issuers will furnish to any Holder of Notes upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note.**

[FORM OF ASSIGNMENT FORM]

***To assign this Note, fill in the form below:***

I or we assign and transfer this Note to:

---

(Print or type assignee's legal name)

---

(Insert assignee's soc. sec. or tax I.D. No.)

---

---

---

(Insert assignee's name, address and zip code)

and irrevocably appoint

---

to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date:

Your Signature:

---

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*:

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

[FORM OF CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR  
REGISTRATION OF TRANSFER RESTRICTED NOTES]

This certificate relates to \$\_\_\_\_\_ principal amount of Notes held in (check applicable box)  book-entry or  definitive registered form by the undersigned.

The undersigned (check one box below):

- has requested the Trustee by written order to deliver, in exchange for its beneficial interest in the Global Note held by the Depository, a Definitive Note in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);
- has requested the Trustee by written order to exchange or register the transfer of a Note.

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144 under the Securities Act, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

- (1) •to the Issuers; or
- (2) •to the Registrar for registration in the name of the Holder, without transfer; or
- (3) •pursuant to an effective registration statement under the U.S. Securities Act of 1933; or
- (4) •inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (5) •outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Note shall be held immediately after the transfer through DTC until the expiration of the Restricted Period (as defined in the Indenture); or
- (6) •pursuant to Rule 144 under the U.S. Securities Act of 1933 or another available exemption from registration.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered Holder thereof, *provided, however*, that if box (5) or (6) is checked, the Trustee may require, prior to registering

any such transfer of the Notes, such legal opinions, certifications and other information as the Trustee or the Issuers have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933.

Date: \_\_\_\_\_

Your Signature:

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*:

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned’s foregoing representations in order to claim the exemption from registration *provided* by Rule 144A.

Date:

Signature:

(to be executed by an executive officer of purchaser)

[TO BE ATTACHED TO GLOBAL NOTES]

[FORM OF SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE]

The initial principal amount of this Global Note is \$[•]. The following increases or decreases in this Global Note have been made:

Date of Increase/Decrease	Amount of Decrease in Principal Amount of this Global Note	Amount of Increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee
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E-A-2-17

[FORM OF OPTION OF HOLDER TO ELECT PURCHASE]

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.03 (Offer to Repurchase upon Change of Control Triggering Event) of the Indenture, check the box:

Change of Control

If you want to elect to have only part of this Note purchased by the Issuers pursuant to Section 4.03 of the Indenture, state the amount (minimum amount of \$2,000):

\$ \_\_\_\_\_

Date: \_\_\_\_\_

Your Signature:

\_\_\_\_\_  
(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

[FORM OF NOTE]

5.550% Senior Notes due 2028

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”), TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THEIR AUTHORIZED NOMINEE, OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO ITS AUTHORIZED NOMINEE, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, ITS AUTHORIZED NOMINEE, HAS AN INTEREST HEREIN.

[[FOR GLOBAL NOTES ONLY] TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

[[FOR REGULATION S GLOBAL NOTE ONLY] UNTIL 40 DAYS AFTER THE CLOSING OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE U.S. SECURITIES ACT) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.]

[Restricted Note Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF

SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS’ AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE ISSUERS WILL CAUSE THIS LEGEND TO BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. [IN THE CASE OF REGULATIONS NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT.]

BY ACCEPTANCE OF A NOTE, EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THE NOTES CONSTITUTES THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) OR PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS, RULES OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE “SIMILAR LAWS”), OR ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT OR (B) THE PURCHASE AND HOLDING OF THE NOTES BY SUCH HOLDER WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

[Each Definitive Note shall bear the following additional legend:]



IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

E-A-3-3

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Common Code. [ ]  
ISIN No. [ ]  
CUSIP [ ]

5.550% Senior Notes due 2028

No. \_\_\_\_\_

NXP B.V.  
NXP FUNDING LLC

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware, jointly and severally promise to pay to Cede & Co. or its registered assigns, the principal sum [set forth on the Schedule of Increases or Decreases in Global Note attached hereto, subject to the adjustments listed therein]<sup>3</sup> [of \$[ ]], on December 1, 2028.

Interest Payment Dates: June 1 and December 1, commencing on June 1, 2019.

Record Dates: May 15 and November 15.

Additional provisions of this Note are set forth on the other side of this Note.

*(Signature page to follow.)*

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3 Use the Schedule of Increases and Decreases language if Note is in Global Form.

IN WITNESS WHEREOF, NXP B.V. and NXP Funding LLC have caused this Note to be signed manually or by facsimile by their duly authorized officers.

Dated: NXP B.V.

By:  
Name:  
Title:

NXP FUNDING LLC

By:  
Name:  
Title:

This is one of the Notes referred  
to in the Indenture.

DEUTSCHE BANK TRUST COMPANY AMERICAS,  
as Trustee

By:  
(Authorized Signatory)

*[Signature Page to Note]*

E-A-3-5

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[FORM OF BACK OF NOTE]

5.550% SENIOR NOTES DUE 2028

1. Interest

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware (together with NXP B.V. and their respective successors and assigns under the Indenture hereinafter referred to, being herein called "*the Issuers*"), jointly and severally promise to pay interest on the principal amount of this Note at the rate of 5.550% per annum. The Issuers shall pay interest semi-annually on June 1 and December 1 of each year commencing on June 1, 2019. The Issuers will make each interest payment to Holders of record of the Notes on the immediately preceding May 15 and November 15, respectively. Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from December 6, 2018 until the principal hereof is due. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

2. Method of Payment

Holders must surrender Notes to the relevant Paying Agent to collect principal payments. The Issuers shall pay principal, premium, if any, Additional Amounts, if any, and interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Principal, premium, if any, Additional Amounts, if any, and interest on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; provided that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of DTC will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, Additional Amounts, if any, and interest on any Definitive Notes will be payable at the specified office or agency of one or more Paying Agents in New York, maintained for such purposes. In addition, interest on the Definitive Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Notes; *provided, however*, that cash payments on the Notes may also be made, in the case of a Holder of at least \$1,000,000 aggregate principal amount of Notes, by wire transfer to a dollar account maintained by the payee with a bank in the United States of America if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 15 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

If the due date for any payment in respect of any Note is not a Business Day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

3. Registrar, Paying Agent and Transfer Agent

Initially, Deutsche Bank Trust Company Americas will act as Registrar, Paying Agent and Transfer Agent. The Issuers may appoint and change any Registrar, Paying Agent and Transfer Agent. The Issuers may act as Registrar, Paying Agent and Transfer Agent.

4. Indenture

The Issuers issued the Notes under the Indenture dated as of December 6, 2018 (the “*Indenture*”), among the Issuers, the Guarantors party thereto and Deutsche Bank Trust Company Americas, as Trustee (the “*Trustee*”). The terms of the Notes include those stated in the Indenture. Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders (as defined in the Indenture) are referred to the Indenture for a statement of such terms and provisions. In the event of a conflict, the terms of the Indenture control.

The Notes are senior obligations of the Issuers. This Note is one of the Notes referred to in the Indenture. The Notes and the Additional Notes are treated as a single class under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and their Significant Subsidiaries to, among other things, create or incur Liens and make asset sales. The Indenture also imposes limitations on the ability of the Issuers to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all its property.

5. Optional Redemption

(a) At any time prior to September 1, 2028 (the date three months prior to the maturity date of the Notes), the Issuers may redeem such Notes in whole or in part, at their option, upon not less than 15 nor more than 60 days’ prior notice, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes being redeemed, and
- the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed that would be due if the Notes matured on September 1, 2028 (the date three months prior to the maturity date of the Notes), not including unpaid interest accrued to, but excluding, the redemption date, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 40 basis points,

plus, in each case, unpaid interest on the Notes being redeemed accrued to, but excluding, the redemption date.

(b) On or after September 1, 2028 (the date three months prior to the maturity date of the Notes), the Notes will be redeemable, in whole or in part, at any time and from time to time, at the Company’s option, upon not less than 15 nor more than 60 days’ prior notice, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus unpaid interest on the Notes being redeemed accrued to, but excluding, the redemption date.

(c) [Reserved]

(d) Any redemption and notice of redemption may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

6. Optional Tax Redemption

The Issuers or any Successor Company may redeem the Notes of a series in whole, but not in part, at any time upon giving not less than 15 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the tax redemption date as a result of the redemption or otherwise, if any, if a Payor determines in good faith that, as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

such Payor is, or on the next interest payment date in respect of the Notes of such series would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuers, Successor Company or Guarantors (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to such obligation to pay Additional Amounts as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at December 3, 2018, such Change in Tax Law must become effective after December 3, 2018. In the case of redemption due to such obligation to pay Additional Amounts as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after December 3, 2018, such Change in Tax Law must become effective after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the prior Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described in paragraph 8. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers or Successor Company will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an

independent tax counsel of recognized standing to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

7. Sinking Fund

The Issuers are not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

8. Notice of Redemption

At least 15 days but not more than 60 days before a date for redemption of Notes, the Issuers shall transmit a notice of redemption in accordance with Section 11.03 of the Indenture and as provided below.

If less than all of the Notes of a series are to be redeemed at any time, the Trustee or the Registrar, as applicable, will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the Registrar, as applicable, by the Issuers, and in compliance with the requirements of DTC, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through DTC, or DTC prescribes no method of selection, on a pro rata basis; provided, however, that no Note of \$2,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of \$1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made by it in accordance with this Section.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

9. Additional Amounts

The Obligors are required to make all payments under or with respect to the Notes or the Note Guarantees free and clear of and without withholding or deduction for or on account of any present or future Taxes unless required by law, in which case the relevant Issuer or Guarantor will pay Additional Amounts in accordance with, and subject to the limitations of, Section 4.02 of the Indenture.

10. Repurchase of Notes at the Option of Holders upon a Change of Control Triggering Event

If the Company experiences a Change of Control Triggering Event, each Holder will have the right, subject to certain conditions specified in the Indenture, to require the Issuers to repurchase all of the Notes of such Holder at a purchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, if any, to but excluding the date of repurchase as provided in, and subject to the terms of, the Indenture.

11. [Reserved]

12. Denominations; Transfer; Exchange

The Notes are in registered form in minimum denominations of \$2,000 and multiples of \$1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

13. Persons Deemed Owners

Except as *provided* in paragraph 2 of this Note, the registered Holder of this Note will be treated as the owner of it for all purposes.

14. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee and the Paying Agent shall have no further liability with respect to such monies.

15. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Notes and the Indenture if the Issuers, among other things, deposit or cause to be deposited with the Trustee money or U.S. Government Obligations denominated in U.S. dollars in such amounts as will be sufficient for the payment of the entire Indebtedness including principal of, premium, if any, and interest on the Notes to the date of redemption or maturity, as the case may be.

16. Amendment, Waiver

The Indenture and the Notes may be amended as set forth in the Indenture.

17. Defaults and Remedies

(a) The following events constitute "*Events of Default*" under the Indenture: An "*Event of Default*" occurs if or upon:



(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, if that default continues for a period of 30 days, or failure to comply for 30 days with the notice provisions in connection with a Change of Control Triggering Event after such notice has become due;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity or upon optional redemption or otherwise (including the failure to pay the repurchase price for such Notes tendered pursuant to an Offer to Purchase), if that default or failure continues for a period of two days;

(3) failure to comply for 90 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with any of the Issuers' or Guarantors' obligations under Article 4 or 5 of the Indenture (in each case, other than an Event of Default under Section 6.01 (a)(1) or 6.01(a)(2) of the Indenture);

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by either Issuer or a Significant Subsidiary (or the payment of which is Guaranteed by either Issuer or a Significant Subsidiary) other than Indebtedness owed to any of the Parent, either Issuer or a Significant Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

- (a) is caused by a failure to pay principal at the Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness; or
- (b) results in the acceleration of such Indebtedness prior to its express maturity not rescinded or cured within 30 days after such acceleration;

and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated and remains undischarged after such 30 day period, aggregates to €200.0 million or more;

(5) any of the Parent (to the extent a guarantor under any series of Notes), either Issuer or a Significant Subsidiary institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of bankruptcy, insolvency or court protection; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office with respect to an event of bankruptcy, insolvency or court protection is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property or assets is instituted without the consent of such Person

and continues undismissed or unstayed for (60) calendar days, or an order for relief is entered in any such proceeding;

(6) failure by any of the Parent, either Issuer or a Significant Subsidiary to pay final judgments aggregating in excess of €200.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and non-appealable; and

(7) any Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture or a Guarantor denies or disaffirms in writing its obligations under its Guarantee, other than in accordance with the terms thereof or upon release of the Guarantee in accordance with the Indenture.

(b) A default under Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6) of the Indenture will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes under the Indenture notify the Issuers of the default and the Issuers do not cure such default within the time specified in Sections 6.01(a)(3), 6.01(a)(4) or 6.01(a)(6) of the Indenture, as applicable, after receipt of such notice.

(c) If an Event of Default (other than an Event of Default described in Section 6.01(a)(5) of the Indenture) occurs and is continuing, the Trustee by notice to either Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Notes of the applicable series of Notes under the Indenture by written notice to either Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of such series under the Indenture to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes of a series of Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

18. Trustee Dealings with the Issuers

The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

19. No Recourse Against Others

No director, manager, officer, employee, incorporator or shareholder of any of the Parent, either Issuer or any of its Subsidiaries or any parent company of either Issuer shall have any liability for any obligations of either Issuer or any Subsidiary with respect to the Notes or the Indenture, or for any claim based on, in respect of, or by reason of such obligations or their

creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

20. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note. The signature shall be conclusive evidence that the security has been authenticated under the Indenture.

21. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

22. Governing Law

**THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

23. CUSIP Numbers, Common Codes and ISIN Numbers

The Issuers in issuing the Notes may use CUSIP Numbers, Common Codes and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP Numbers, Common Codes and ISIN numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

**The Issuers will furnish to any Holder of Notes upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note.**

[FORM OF ASSIGNMENT FORM]

***To assign this Note, fill in the form below:***

I or we assign and transfer this Note to:

---

(Print or type assignee's legal name)

---

(Insert assignee's soc. sec. or tax I.D. No.)

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---

---

(Insert assignee's name, address and zip code)

and irrevocably appoint

---

to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date:

Your Signature:

---

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*:

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

[FORM OF CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR  
REGISTRATION OF TRANSFER RESTRICTED NOTES]

This certificate relates to \$\_\_\_\_\_ principal amount of Notes held in (check applicable box)  book-entry or  definitive registered form by the undersigned.

The undersigned (check one box below):

- has requested the Trustee by written order to deliver, in exchange for its beneficial interest in the Global Note held by the Depository, a Definitive Note in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);
- has requested the Trustee by written order to exchange or register the transfer of a Note.

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144 under the Securities Act, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

- (1) •to the Issuers; or
- (2) •to the Registrar for registration in the name of the Holder, without transfer; or
- (3) •pursuant to an effective registration statement under the U.S. Securities Act of 1933; or
- (4) •inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (5) •outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Note shall be held immediately after the transfer through DTC until the expiration of the Restricted Period (as defined in the Indenture); or
- (6) •pursuant to Rule 144 under the U.S. Securities Act of 1933 or another available exemption from registration.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered Holder thereof, *provided, however*, that if box (5) or (6) is checked, the Trustee may require, prior to registering

any such transfer of the Notes, such legal opinions, certifications and other information as the Trustee or the Issuers have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933.

Date: \_\_\_\_\_

Your Signature:

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*:

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned’s foregoing representations in order to claim the exemption from registration *provided* by Rule 144A.

Date:

Signature:

(to be executed by an executive officer of purchaser)

[TO BE ATTACHED TO GLOBAL NOTES]

[FORM OF SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE]

The initial principal amount of this Global Note is \$[•]. The following increases or decreases in this Global Note have been made:

Date of Increase/Decrease	Amount of Decrease in Principal Amount of this Global Note	Amount of Increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee
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E-A-3-17

[FORM OF OPTION OF HOLDER TO ELECT PURCHASE]

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.03 (Offer to Repurchase upon Change of Control Triggering Event) of the Indenture, check the box:

Change of Control

If you want to elect to have only part of this Note purchased by the Issuers pursuant to Section 4.03 of the Indenture, state the amount (minimum amount of \$2,000):

\$ \_\_\_\_\_

Date: \_\_\_\_\_

Your Signature:

\_\_\_\_\_  
(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)



## [FORM OF CERTIFICATE OF TRANSFER]

Deutsche Bank Trust Company Americas  
 c/o DB Services Americas, Inc.  
 5022 Gate Parkway, Suite 200  
 Jacksonville, FL 32256  
 Attention: Transfer Department

Re: **[●]% Senior Notes due 20[●] NXP B.V. and NXP Funding LLC (the "Notes")**

Reference is hereby made to the Senior Indenture dated December 6, 2018 among NXP B.V. and NXP Funding LLC, as Issuers, the guarantors party thereto and Deutsche Bank Trust Company Americas, as Trustee (the "*Indenture*"). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

\_\_\_\_\_ (the "*Transferor*") owns and proposes to transfer the Note/Notes or interest in such Note/Notes (the "*Book-Entry Interest*") specified in Annex A hereto, in the principal amount of \$\_\_\_\_\_ in such Note/Notes or interests (the "*Transfer*"), to \_\_\_\_\_ (the "*Transferee*"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

## [CHECK ALL THAT APPLY]

1.  **Check if Transfer is Pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the U.S. Securities Act of 1933 (the "*Securities Act*"), and, accordingly, the Transferor hereby further certifies that the Book-Entry Interest or Definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the Book-Entry Interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A to whom notice was given that the Transfer was being made in reliance on Rule 144A and such Transfer is in compliance with any applicable securities laws of any state of the United States or any other jurisdiction. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Restricted Notes Legend printed on the Rule 144A Global Note and/or the Rule 144A Definitive Note and in the Indenture and the Securities Act.
2.  **Check if Transfer is pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Regulation S under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (A) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (B) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any

Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States; (ii) no directed selling efforts have been made in contravention of the requirements of Regulation S under the Securities Act; (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act; and (iv) the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer printed on the Regulation S Global Note and/or the Regulation S Definitive Note and contained in the Securities Act, the Indenture and any applicable securities laws of any state of the United States or any other jurisdiction.

3.  **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144 or Regulation S and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Restricted Notes Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Restricted Notes Legend.

4.  **Check if Transfer is Pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable securities laws of any state of the United States or any other jurisdiction; (ii) the Transferor is not (and during the three months preceding the Transfer was not) an Affiliate of any of the Issuers, (iii) at least one year has elapsed since such Transferor (or any previous transferor of such Book-Entry Interest or Definitive Note that was not an Affiliate of any of the Issuers) acquired such Book-Entry Interest or Definitive Note from the Issuers or an Affiliate of any of the Issuers, and (iv) the restrictions on transfer contained in the Indenture and the Restricted Notes Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interest or Rule 144A Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Restricted Notes Legend printed on the Rule 144A Global Note and/or the Rule 144A Definitive Note and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers and the Trustee.

[Insert Name of Transferor]

By:  
Name:  
Title:

Dated: \_\_\_\_\_

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following: CHECK ONE]
- (a)  a Book-Entry Interest held through DTC Account No. \_\_\_\_\_, in the:
- (i)  Rule 144A Global Note ([CUSIP/ISIN/COMMON CODE] \_\_\_\_\_); or
- (ii)  Regulation S Global Note ([CUSIP/ISIN/COMMON CODE]; or
- (b)  a Rule 144A Definitive Note; or
- (c)  a Regulation S Definitive Note.
2. After the Transfer the Transferee will hold:

[CHECK ONE]

- (a)  a Book-Entry Interest through DTC Account No. \_\_\_\_\_ in the:
- (i)  Rule 144A Global Note ([CUSIP/ISIN/COMMON CODE] \_\_\_\_\_); or
- (ii)  Regulation S Global Note ([CUSIP/ISIN/COMMON CODE] \_\_\_\_\_ or
- (b)  a Rule 144A Definitive Note; or
- (c)  a Regulation S Definitive Note.

[FORM OF OFFICER'S COMPLIANCE CERTIFICATE DELIVERED PURSUANT TO SECTION 4.09 OF THE  
INDENTURE]

OFFICER'S COMPLIANCE CERTIFICATE OF NXP B.V.

Pursuant to Section 4.09 of the Senior Indenture dated December 6, 2018 (the "*Indenture*") among NXP B.V. (the "*Company*") and NXP Funding LLC, as Issuers, the guarantors party thereto and Deutsche Bank Trust Company Americas, as Trustee, the undersigned, [•], [officer], of the Company, do hereby certify on behalf of the Company that:

1. a review of the activities of the Company during the preceding fiscal year has been made under my supervision with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under the Indenture; and
2. as to the best of my knowledge, the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of the Indenture [or, if a Default or Event of Default shall have occurred, describe all such Defaults or Events of Default of which you have knowledge and what action the Company is taking or proposes to take with respect thereto] and to the best of my knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest or Additional Amounts, if any, on the Notes is prohibited [or if such event has occurred, give a description of the event and what action the Company is taking or proposes to take with respect thereto].

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate this [ ] day of [ ], 20[ ].

NXP B.V.

by

Name:

Title:

E-C-2

**Certification of R. Clemmer filed pursuant to 17 CFR 240. 13a-14(a)**

## CERTIFICATION

I, Rick Clemmer, certify that:

1. I have reviewed this annual report on Form 20-F of NXP Semiconductors N.V.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
  4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
-

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 1, 2019

/s/ Rick Clemmer

Rick Clemmer

Executive Director and Chief Executive Officer

**Certification of P. Kelly filed pursuant to 17 CFR 240. 13a-14(a)**

## CERTIFICATION

I, Peter Kelly, certify that:

1. I have reviewed this annual report on Form 20-F of NXP Semiconductors N.V.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
  4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
-



5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 1, 2019

/s/ Peter Kelly

Peter Kelly

Executive Vice President and Chief Financial Officer

**Certification of R. Clemmer filed pursuant to 17 CFR 240. 13a-14(b)**

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NXP Semiconductors N.V. (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2018 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2019

/s/ Rick Clemmer

Rick Clemmer

Executive Director and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**Certification of P. Kelly filed pursuant to 17 CFR 240. 13a-14(b)**

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NXP Semiconductors N.V. (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2018 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2019

/s/ Peter Kelly

Peter Kelly

Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

## LIST OF SUBSIDIARIES OF THE REGISTRANT.

List of direct and indirect subsidiaries as of December 31, 2018

Country of incorporation	Name legal entity
Australia	Cohda Wireless Pty Ltd. (27%)*
Austria	NXP Semiconductors Austria GmbH
Austria	Catena DSP GmbH
Belgium	NXP Semiconductors Belgium N.V.
Brazil	NXP Semicondutores Brasil Ltda.
British Virgin Islands	Freescale Semiconductor Holding Limited
Canada	NXP Canada Inc.
Cayman Islands	Freescale Semiconductor Cayman Holdings Ltd.
China	NXP (China) Management Ltd.
China	NXP (Chongqing) Semiconductors Co. Ltd.
China	NXP Semiconductors (Shanghai) Co., Ltd.
China	WeEn Semiconductors Co., Ltd. (23.8%)*
China	Datang NXP Semiconductors Co., Ltd (49%)*
China	NXP Qiangxin (Tianjin) IC Design Co. Ltd. (75%)*
China	Freescale Semiconductor (China) Ltd.
Czech Republic	NXP Semiconductors Czech Republic s.r.o.
France	NXP Semiconductors France SAS
Germany	SMST Unterstützungskasse GmbH
Germany	NXP Semiconductors Germany GmbH
Germany	Catena Germany GmbH
Hong Kong	Semiconductors NXP Ltd.
Hong Kong	NXP Semiconductors Asia Hong Kong Limited
Hong Kong	Freescale Semiconductor Asia Enablement Limited
Hungary	NXP Semiconductors Hungary Ltd.
India	NXP India Pvt. Ltd.
India	Intoto Software India Private Limited
Ireland	GloNav Ltd.
Israel	NXP Semiconductors Israel Limited
Israel	Freescale Semiconductor Israel Limited

Japan	NXP Japan Limited
Korea	NXP Semiconductors Korea Ltd.
Malaysia	Freescale Asia Fulfillment Centre Sdn Bhd.
Malaysia	Freescale Semiconductor Malaysia Sdn Bhd.
Mexico	NXP Semiconductors México, S. de R.L. de C.V.
Netherlands	NXP B.V.
Netherlands	NXP Semiconductors Netherlands B.V.
Netherlands	NXP Software B.V.
Netherlands	Catena Holding B.V.

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Netherlands	Catena Microelectronics B.V.
Netherlands	Catena Radio Design B.V.
Philippines	NXP Philippines, Inc.
Romania	NXP Semiconductors Romania Srl
Russia	NXP Semiconductors Moscow LLC
Singapore	NXP Semiconductors Singapore Pte. Ltd.
Singapore	Systems on Silicon Manufacturing Company Pte Ltd (61.2%)*
Sweden	Catena Wireless Electronics AB
Sweden	NXP Semiconductors Nordic AB
Switzerland	NXP Semiconductors Switzerland AG
Switzerland	Freescale Semiconductor EME&A SA
Taiwan	NXP Semiconductors Taiwan Ltd.
Thailand	NXP Manufacturing (Thailand) Co., Ltd.
Thailand	NXP Semiconductors (Thailand) Co., Ltd.
Turkey	NXP Semiconductors Elektronik Ticaret A.S.
United Kingdom	NXP Laboratories UK Holding Ltd.
United Kingdom	NXP Laboratories UK Ltd.
United Kingdom	Freescale Semiconductor Holding UK Limited
United Kingdom	Freescale Semiconductor UK Limited
USA	River Brook Funding LLC
USA	NXP Funding LLC
USA	Intoto LLC
USA	Freescale Semiconductor International Corporation
USA	Omniphy, Inc.
USA	Freescale Semiconductor Holdings V, Inc.
USA	NXP USA, Inc.

\* = joint venture

## Consent of Independent Registered Public Accounting Firm

To the Board of Directors  
NXP Semiconductors N.V.:

We consent to the incorporation by reference in the registration statements on Form F-3 (No. 333-209942) and Form S-8 (No. 333-227332, No. 333-221118, No. 333-220341, No. 333-203192, No. 333-190472, No. 333-172711) of NXP Semiconductors N.V. of our report dated March 1, 2019, with respect to the consolidated balance sheets of NXP Semiconductors N.V. and subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the “consolidated financial statements”), and the effectiveness of internal control over financial reporting as of December 31, 2018, which report appears in the December 31, 2018 annual report on Form 20-F of NXP Semiconductors N.V.

/s/ KPMG Accountants N.V.

Amstelveen, the Netherlands

March 1, 2019